



China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 1668)

(the “Company”)

TERMS OF REFERENCE FOR AUDIT COMMITTEE

1. Purpose

The purpose of the audit committee of the Company (the “**Committee**”) is to assist the board of directors of the Company (the “**Board**”) to establish formal and transparent arrangements to consider how the Board will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company’s auditors.

2. Membership

2.1 Members of the Committee shall be appointed by the Board. The Committee shall consist of not less than three members (the “**Members**” and each, a “**Member**”) from amongst the non-executive directors and independent non-executive directors of the Company, of whom the majority shall be independent non-executive directors. At least one Member shall have appropriate professional qualifications or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2.2 The Board shall from time to time vary the composition of the Committee as may be required by the Listing Rules, or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time.

2.3 Members shall serve the Committee for such terms as the Board may fix, and in any case at the Board’s will, whether or not a specific term is fixed. The Board may remove Members at its sole discretion.

2.4 The chairman of the Committee (the “**Chairman**”) shall be appointed by the Board and shall be an independent non-executive director of the Company.

3. Meetings

3.1 Frequency

The Committee shall meet as often as it determines necessary, but not less than twice a year. The Chairman, a majority of the Members, or the Secretary (as defined below) on requisition of the Chairman or a majority of the Members may call a meeting of the Committee. The external auditors may request a meeting of the Committee if they consider that one is necessary.

3.2 Notice

Notice of any meetings of the Committee has to be given to all Members prior to such meeting being held. Except in emergencies, all papers for the meeting shall be sent to the Members at least three days before the meeting. Irrespective of the length of notice being given, attendance of a meeting of the Committee by a Member shall be deemed waiver of the requisite length of notice by the Member. Any Member may consent to short notice and waive notice of any meeting, and any such consent or waiver may be given prospectively or retrospectively. Notice of any adjourned meetings is not required if the adjournment is for less than fourteen days.

3.3 Quorum

The quorum for decisions of the Committee shall be any two Members, of whom one has to be an independent non-executive director of the Company.

3.4 Resolutions

Resolutions of the Committee shall be passed by a majority of votes, or by way of written resolutions signed by a majority of the Members. Meetings can be held in person, by telephone or by video conference.

3.5 Secretary

The company secretary of the Company shall be the secretary of the Committee (the “**Secretary**”).

3.6 Minutes

Full minutes of the Committee meetings shall be kept by the Secretary. Draft and final versions of minutes of meetings of the Committee shall be sent to all Members for their comments and records respectively, in both cases within a reasonable time after the meeting.

3.7 Attendance

The Secretary and the chief financial officer of the Company shall normally attend meetings of the Committee. Other Board members shall also have the right of attendance. The Committee must meet the auditors of the Company not less

than twice a year and where necessary, a representative of the external auditors of the Company will be required to attend the meeting of the Committee.

3.8 Procedures

The Committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with these terms of reference, resolutions of the Board, the articles of association of the Company and other corporate governance documents, the Listing Rules and applicable laws or regulations.

3.9 Chairman

The Chairman (or in his or her absence, a Member designated by the Chairman) shall preside at all meetings of the Committee. The Chairman shall be responsible for leadership of the Committee.

4. **Duties**

The duties of the Committee shall include the following:

Relationship with the Company's auditors

- 4.1 To act as the key representative body for overseeing the Company's relations with the external auditors and be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.
- 4.2 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.
- 4.3 To discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.
- 4.4 To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally.
- 4.5 To report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Company's financial information

- 4.6 To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and

to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:-

- (a) any changes in accounting policies and practices.
- (b) major judgmental areas.
- (c) significant adjustments resulting from audit.
- (d) the going concern assumptions and any qualifications.
- (e) compliance with accounting standards.
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.

4.7 Regarding paragraph 4.6 above:

- (a) Members should liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the Company's auditors.
- (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

Oversight of the Company's financial reporting system, risk management and internal control systems

- 4.8 To review the Company's financial controls, and to review the Company's risk management and internal control systems.
- 4.9 To discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.
- 4.10 To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings.
- 4.11 Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

- 4.12 To review the group's financial and accounting policies and practices.
- 4.13 To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response.
- 4.14 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- 4.15 To report to the Board on the matters set out under the heading "C.3 Audit Committee – Code Provisions" in Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).
- 4.16 To consider other topics, as defined by the Board.
- 4.17 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in its corporate governance report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 4.18 To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Review of the Company's corporate governance functions

- 4.19 To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.
- 4.20 To review and monitor the training and continuous professional development of the Directors and senior management.
- 4.21 To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.
- 4.22 To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors.
- 4.23 To review the Company's compliance with the code and disclosure in the corporate governance report.

5. Authority

- 5.1 The Committee is authorised by the Board:
 - (a) To investigate any activity within its terms of reference.

- (b) To seek any information it requires from any employee of the Company, and all employees of the Company are directed to co-operate with any request made by the Committee.
- (c) To obtain advices from outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- (d) To meet separately with, and have direct, independent and confidential access to, management (including the chief financial officer of the Company), the internal auditors (or other personnel responsible for the internal audit function) and external auditors of the Company, or any other persons as it deems necessary or appropriate in carrying out its duties.

5.2 The Committee shall be provided with sufficient resources by the Company to perform its duties.

6. **Reports**

- 6.1 The Committee shall report to the Board on the following matters on the major items covered by the Committee at each meeting of the Committee, and provide additional reports to the Board as the Committee may determine to be appropriate, including review with the Board of any issues that arise from time to time with respect to the quality or integrity of the Company's financial statements, the performance and independence of the external auditors or the performance of the internal audit function.
- 6.2 The Committee shall prepare a report on the work performed by it during the year in discharging its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results, risk management and internal control systems, the effectiveness of the Company's internal audit function and its other duties set out in the Corporate Governance Code, for inclusion in the Company's report on corporate governance practices prepared by the Board from time to time in accordance with the requirements of the Listing Rules.

Adopted on 4 September 2009

Revised on 22 March 2016