

# **Tianjin Development Holdings Limited**

## **Audit Committee**

### **Terms of Reference**

*(Adopted by the Board on 28 December 1998 and revised on 13 September 2006, 1 January 2009 and 29 March 2012)*

#### **1. Membership**

- 1.1 The members of the audit committee (the “**Committee**”) shall be appointed by the board of directors (the “**Board**”) of Tianjin Development Holdings Limited (the “**Company**”) from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom shall be independent non-executive directors.
- 1.2 The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.
- 1.3 A former partner of the existing auditing firm of the Company is prohibited from acting as a member of the Committee for a period of one year commencing the later of the date of his ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm.

#### **2. Secretary**

The company secretary or his authorized designate shall act as the secretary of the Committee.

#### **3. Quorum**

A quorum of a meeting shall be two members of the Committee, one of whom shall be an independent non-executive director.

#### **4. Attendance at Meetings**

- 4.1 The Head of Finance and Accounting, the Head of Internal Audit (if any) and representative(s) of the external auditor shall normally attend meetings.
- 4.2 The Committee may, if necessary, invite other members of the Board or external independent professional advisors to the meetings to advise its members.
- 4.3 Any member of the Committee or other attendees may participate in a meeting by electronic means (including telephonic or video-conferencing).

**5. Frequency and Notice of Meetings**

- 5.1 Meetings shall be held at least twice a year.
- 5.2 Any member of the Committee may request the Chairman to convene a meeting if it is deemed necessary but notice of at least 3 days should be given by the Chairman to all members of the Committee unless otherwise agreed by all members of the Committee.

**6. Authority**

- 6.1 The Committee is authorized by the Board to investigate any activity within its scope of duties as set out in these terms of reference.
- 6.2 The Committee is authorized by the Board to seek any information it requires from any employees of the Company to perform its duties and all employees are directed to co-operate with any requests made by the Committee.
- 6.3 The Committee is authorized by the Board to obtain legal or other independent professional advice (if necessary), at the Company's expense, to perform its responsibilities and to secure the attendance of outsiders with relevant experience and expertise.

**7. Duties**

The Committee shall:-

*Relationship with the Company's auditors*

- 7.1 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;
- 7.2 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 7.3 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

**7. Duties** (*Cont'd*)

*Review of the Company's financial information*

7.4 monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:-

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments resulting from audit;
- (iv) the going concern assumptions and any qualifications;
- (iv) compliance with accounting standards; and
- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

7.5 Regarding 7.4 above:-

- (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
- (ii) 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 and internal control procedures*

7.6 review the Company's financial controls, internal control and risk management systems;

7.7 discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

**7. Duties (Cont'd)**

- 7.8 to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 7.9 where an internal audit function exists, 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;
- 7.10 review the Group's financial and accounting policies and practices;
- 7.11 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;
- 7.12 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 7.13 report to the Board on the matters in these terms of reference and the code provisions of the Code on Corporate Governance Practices on audit committee in the Listing Rules;
- 7.14 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;
- 7.15 act as the key representative body for overseeing the Company's relations with the external auditor; and
- 7.16 consider other topics, as defined by the Board.

**8. Minutes of Meetings**

- 8.1 Minutes shall be kept by the secretary of the Committee and shall be open for inspection at any reasonable time on reasonable notice by any director.
- 8.2 Minutes shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by the members of the Committee or dissenting views expressed. Draft and final versions of the minutes shall be sent to all members of the Committee for their comment and records respectively, within a reasonable time after the meeting is held.

**9. Reporting Procedures**

- 9.1 The Committee shall report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 9.2 The Chairman of the Committee shall attend the annual general meeting of the Company. In his absence, another member of the Committee or failing this his duly appointed delegate shall attend and be available to answer questions at the annual general meeting.

*(The Chinese version is for reference only and in case of any discrepancy between the Chinese and English versions, the English version shall prevail.)*