



# 昊天發展集團有限公司

## Hao Tian Development Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00474)**

**(the “Company”, together with its subsidiaries, the “Group”)**

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**Terms of reference (the “Regulations”) relating to  
the audit committee (the “Audit Committee”)  
of the board of directors (the “Board”) of the Company**

*(amended and restated with effect from 1 January 2016)*

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### **A. Constitution**

The Audit Committee is established pursuant to a resolution passed by the Board at a meeting held on 16 May 2006.

### **B. Audit Committee**

#### ***1. Membership***

1.1 Members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of the Audit Committee shall be independent non-executive directors.

- 1.2 The chairman of the Audit Committee must be an independent non-executive director of the Company and shall be appointed by the Board.
- 1.3 The company secretary of the Company or his/her delegate shall be the secretary of the Audit Committee.
- 1.4 The appointment of the members and the secretary of the Audit Committee may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board.
- 1.5 A former partner of the existing auditing firm of the Company should be prohibited from acting as a member of the Audit Committee for a period of one year from the date of his ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

## **2. *Proceedings of the Audit Committee***

### **2.1 Notice**

- 2.1.1 Unless otherwise agreed by all the Audit Committee members, a meeting of the Audit Committee shall be called by at least seven (7) days' notice.
- 2.1.2 A member of the Audit Committee may, and on the request of a member of the Audit Committee, the secretary to the Audit Committee shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or by facsimile or electronic transmission at the telephone number or facsimile number or address or e-mail address from time to time notified to the secretary by such member of the Audit Committee or by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

2.1.3 Notices of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting.

## 2.2 Quorum

The quorum of the Audit Committee meeting shall be two members of the Audit Committee.

## 2.3 Attendance of meetings by non-members

The chief financial officer, the head of internal audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings of the Audit Committee. The executive directors shall also have the right of attendance. However, at least twice a year the Audit Committee shall meet with the external auditors in the absence of the executive directors.

## 2.4 Frequency of meetings

Meeting shall be held at least twice a year. Additional meetings should be held if the Audit Committee shall so request.

## 2.5 Resolutions

All resolutions of the Audit Committee shall be passed by a simple majority of votes.

## 2.6 Written resolutions

Written resolutions may be passed by all members of the Audit Committee in writing.

### **3. Authority**

3.1 The Audit Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Group and any professional advisers (including auditors), to require any of them to prepare and submit reports, to attend meetings of the Audit Committee and to supply information and answer questions raised by the Audit Committee;
- (b) to monitor whether the Group's management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and other rules and regulations from time to time laid down by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent and suspicious acts involving the Group and request management to make investigation and submit reports;
- (d) to review, and to make recommendations to the Board on, the Group's internal control procedures and system;
- (e) to request the Board to convene a shareholders' meeting or a Board meeting (if so required under the articles of association or any applicable law, regulation and code) for the purposes of revoking the appointment of any director and to dismiss any employee if there is evidence showing that the relevant director and/or employee has failed to discharge his/her duties properly;
- (f) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditors of the Group;

- (g) to obtain outside legal or other independent professional advice on or assistance to any matters within these Regulations, and to secure the attendances of independent third parties with relevant experience and expertise, if it considers this necessary, at the expense of the Company; and
- (h) to exercise such powers as the Audit Committee may consider necessary and expedient so that their duties under section 4 below can be properly discharged.

3.2 All employees are directed to co-operate with any request made by the Audit Committee in performance of its duties in accordance with these Regulations.

3.3 The Company will provide sufficient resources for the Audit Committee's performance of its duties including the reasonable fees of legal and other independent professional advisors.

#### **4. Duties**

The duties of the Audit Committee shall be:

##### *Relationship with the external auditors*

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any question of resignation or dismissal of the external auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to oversee the work of external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting). The Audit Committee should discuss and establish with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- (c) 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. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of financial information*

- (d) to monitor the integrity of financial statements of the Company and the Company’s annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports and accounts before submission to the Board, the Audit Committee should focus particularly on:
  - (i) changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) going concern assumptions and any qualifications;
  - (v) compliance with accounting standards;
  - (vi) compliance with listing rules of stock exchange(s) and other applicable legal and regulatory requirements and guidance in relation to financial reporting;
  - (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group;

- (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosure give a true and fair view of the Group's financial conditions; and
  - (ix) the cashflow position of the Group;
- (e) in regard to (d) above:
- (i) members of the Audit Committee should liaise with the Board and senior management;
  - (ii) the Audit Committee must meet at least twice a year with the external auditor; and
  - (iii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and 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 (if any) or auditor;

Oversight of financial reporting system, risk management and internal control systems

- (f) to establish (i) procedures for the receipt, retention and treatment of complaints regarding financial reporting, accounting, internal controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding possible improprieties in or questionable financial reporting, accounting, internal controls or auditing matters; and (ii) arrangements for fair and independent investigation of these matters and for fair and appropriate follow up action;
- (g) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

- (h) to discuss the risk management and internal control systems 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 programmes and budget of the Company's accounting and financial reporting function;
- (i) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and to review management's response to these findings;
- (j) 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;
- (k) where an internal audit function exists, to meet separately, periodically, with management, to meet (in the absence of management) with internal auditor (or other personnel responsible for the internal audit function) and with external auditor, if appropriate;
- (l) to review the Group's financial and accounting policies and practices;
- (m) to review and discuss (in the absence of the management where necessary) the external auditor's management letter, any material queries and reservations raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control, any audit problems or difficulties encountered by the external auditor and management's response;
- (n) to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor;



- (p) to review these Regulations and the procedures, arrangements and policies established or adopted by the Audit Committee from time to time;
- (q) to conduct exit interviews with any director, manager, financial controller or internal credit control manager upon his/her resignation in order to ascertain the reasons for his/her departure;
- (r) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board and to prepare a summary of work for inclusion in the interim and annual report;
- (s) to consider other topics and matters, as determined from time to time by the Board; and
- (t) to report to the Board regularly on matters set out in the code provision C.3 of the Corporate Governance Code, the results of their review of the financial reporting, internal control and risk management systems and procedures and their decisions and recommendations (if any) thereon, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

## **5. *Reporting procedures***

- 5.1 The secretary of the Audit Committee shall circulate the draft and final versions of minutes of the Audit Committee meetings to all members of the Audit Committee for comment and approval and circulate all the minutes and written resolutions of the Audit Committee to all members of the Board.
- 5.2 The secretary of the Audit Committee shall maintain as part of the Company's corporate records all approved minutes and written resolutions of the Audit Committee.

**6. *Continuing application of the articles of association of the Company***

The articles of association of the Company regulating the meetings and proceedings of the directors so far as the same are applicable and not inconsistent with the provisions of these Regulations shall apply to regulate the meetings and proceedings of the Audit Committee.

**7. *Powers of the Board***

The Board shall be vested with final interpretation power of these Regulations. The Board may, subject to compliance with the articles of associations of the Company and the Listing Rules (including the Corporate Governance Code), amend, supplement and revoke these Regulations and/or any resolution passed by the Audit Committee provided that no amendments to or revocation of these Regulations and/or any resolution passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if these Regulations or resolution had not been amended or revoked.

**8. *Attendance of annual general meeting***

The chairman of the Audit Committee should, as far as practicable, attend the annual general meeting and make himself available to respond to any shareholders' questions on the Audit Committee's activities.

(Chinese translation is for reference only. The English text shall prevail in case of any inconsistency.)