



SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

華信地產財務有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 252

Website: <http://www.seapnf.com.hk>

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Constitution & Membership

1.1 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, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the audit committee members must be independent non-executive directors of the Company. The audit committee must be chaired by an independent non-executive director. A quorum shall be two members.

1.2 The Chairman of the Committee shall be appointed by the Board.

2 Attendance at meetings

2.1 The Company's group financial controller shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the external auditors without executive Board members present. The Audit Committee may participate in a meeting of the Committee either in person or by means of a conference telephone or similar communications equipment by means of which all persons participating in meeting are capable of hearing each other.

2.2 The Company Secretary shall be the secretary of the Committee.

3 Frequency of meetings

3.1 Meetings shall be held not less than twice a year. The members of the Committee may request a meeting if they consider that one is necessary.

4 Authority

4.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

4.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

5 Duties

The duties of the Committee shall be:

Relationship with the Company's auditors

5.1 to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;

5.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

5.3 to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The audit committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

5.4 to monitor integrity of financial statements of the Company's 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 this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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;
- (v) compliance with accounting standards; and
- (vi) compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;

5.5 In regard to 5.4 above:–

- (i) members of the committee must liaise with the Company's Board of directors, senior management and group financial controller 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 such reports and accounts and must 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

5.6 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;

5.7 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;

5.8 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;

5.9 to ensure co-ordination between the internal audit function and external auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the company, and to review and monitor its effectiveness;

5.10 to review the Group's financial and accounting policies and practices;

5.11 to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;

5.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

5.13 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 Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters for appropriate follow-up action;

Corporate governance functions delegated by the Board

5.14 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

5.15 to review and monitor the training and continuous professional development of Directors and senior management;

5.16 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

5.17 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

5.18 to review the Company's compliance with the Code and disclosure in the Corporate Governance Report;

Others

5.19 to report to the Board on all matters in these terms of reference; and

5.20 to consider any other matters specifically referred to the Audit Committee by the Board.

6 Report procedures

6.1 The secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

7 Annual general meeting

7.1 The chairman of the Audit Committee shall, as far as practicable, attend the annual general meeting of the Company and be prepared to respond to any shareholder's questions on the Audit Committee's activities.

8 General

8.1 The Audit Committee should make available these terms of reference by including them on the website of the Stock Exchange of Hong Kong Limited and the website of the Company.

(If there is any inconsistency or ambiguity between the English version and the Chinese version, the English version shall prevail.)

(Revised and effective on 15 June 2017)