

COASTAL 沿海
COASTAL GREENLAND LIMITED
沿海綠色家園有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1124)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Constitution

The audit committee (the “**Committee**”) of Coastal Greenland Limited (the “**Company**”) was established by resolution of the board of directors (the “**Board**”) of the Company on 26 August 1999. The following terms of reference of the Committee was first adopted on 26 August 1999 and have been revised to take effect on 1 January 2019.

2. Membership

- (a) The Committee shall be appointed and removed by the Board and shall consist of not less than three members (the “**Member(s)**”).
- (b) The Committee shall be confined to non-executive directors only, the majority of whom must be independent non-executive directors of the Company (“**INED**”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Chapter 3 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- (c) The Chairman of the Committee shall be appointed and removed by the Board and must be an INED.
- (d) A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of 2 years from the date of his/her ceasing (i) to be a partner of the firm; or (ii) to have any financial interest in the firm, whichever is later.

* For identification purpose only

3. Secretary

- (a) The company secretary of the Company or his/her delegate shall be the secretary of the Committee.
- (b) The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

4. Meetings

- (a) Meetings shall be held not less than twice a year.
- (b) Meetings may be convened by any Members, or by the secretary of the Committee at the request of any of its Members or at the request of the external auditors.
- (c) Notice of any meetings shall be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.
- (d) Agenda and accompanying Committee papers shall be circulated to Members at a timely manner and at least 3 days before the intended meeting insofar as it is practicable.
- (e) Meetings can be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment or through electronic means of communications by means of which all persons participating in the meeting are capable of hearing each other.
- (f) The quorum of a meeting shall be any two Members.
- (g) Resolutions of the Committee at any Committee meetings shall be passed by a simple majority votes of the Members present.

- (h) A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- (i) Full minutes of the meetings shall be kept by the secretary of the Committee. Draft and final versions of minutes of the meetings shall be circulated to all Members for their comment and records within a reasonable time after the meeting.

5. Attendance at Meetings

- (a) At least once a year, the Committee shall meet with the external auditors and internal auditors in the absence of any executive directors of the Company, except by invitation of the Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditors may need to arise.
- (b) The following persons will normally attend all the meetings of the Committee, unless requested otherwise by the Committee: (i) representative(s) of the external auditors; (ii) head of internal audit department or (if absent) the representative from internal audit department; (iii) the Financial Controller of the Company and its subsidiaries (the “**Group**”) (or equivalent); and (iv) the other Board members.
- (c) Only Members are entitled to vote at the meetings.

6. Annual General Meeting

The chairman of the Committee or in his/her absence, another Member (who must be an INED), shall attend the Company’s annual general meeting and be prepared to respond to shareholders’ questions on the Committee’s activities and their responsibilities.

7. Duties

The duties of the Committee shall be:

Relationship with the Group's external auditor

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences; and
- (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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Group's financial information

- (d) to monitor integrity of the Group'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 shall 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 Listing Rules and other legal requirements in relation to financial reporting; and
- (e) regarding (d) above,
- (i) Members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the external auditor; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and account and should give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer (or person occupying the same position) or external auditor.

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

- (f) to review the Group's financial controls, and unless expressly addressed by a separate risk committee, or by the Board itself, to review the Group's risk management and internal control systems;
- (g) 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 Group's accounting and financial reporting functions;
- (h) to consider major investigations 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;
- (i) 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 Group, and to review and monitor its effectiveness;

- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to act as the key representative body for overseeing the Group's relation with the external auditor;
- (n) to review arrangements that employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action;
- (o) where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;
- (p) to report to the Board on the matters set out above; and
- (q) to consider other topics, as defined or assigned by the Board from time to time.

Corporate governance functions delegated by the Board

- (r) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- (s) to review and monitor the training and continuous professional development of directors and senior management of the Company;
- (t) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

- (u) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- (v) review the Group's compliance with the code and disclosure in the Corporate Governance Report of the Company.

8. Reporting Responsibilities

- (a) The Committee shall report to the Board on its proceedings at the next meeting of the Board following a meeting of the Committee on all matters within its duties and responsibilities.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9. Authority

- (a) The Committee is authorised by the Board to inspect all accounts, books and records of the Company.
- (b) The Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.
- (c) The Committee is authorised by the Board to obtain external legal or other independent professional advice if required by the Committee and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Note: Arrangement to seek independent professional advice could be made through the company secretary.

- (d) The Committee shall be provided with sufficient resources to perform its duties.
- (e) Any amendments to this Terms of Reference shall be approved by the Board.

Remark: "senior management" refers to the same persons referred to in the Company's annual report and required to be disclosed under Appendix 16 to the Listing Rules.