



Evergrande Real Estate Group Limited

恒大地产集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

Summary of terms of reference of the Audit Committee

The Audit Committee

The board of directors (the “**Board**”) of **EVERGRANDE REAL ESTATE GROUP LIMITED** (the “**Company**”) has established a committee of the Board known as the audit committee (the “**Audit Committee**”), a summary of its constitution and particular duties are set out below:-

1. **Membership**

- 1.1 The Audit Committee shall be appointed by the Board and should comprise a minimum of three members (the “**Members**”).
- 1.2 The Members shall be appointed from amongst the non-executive directors of the Company. The majority of Members should be independent non-executive directors of the Company, at least one of whom is an independent non-executive director with professional qualifications or accounting or related financial management expertise.
- 1.3 The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board. The Chairman must be an independent non-executive director of the Company.
- 1.4 A former partner of the Company's existing auditing firm shall not act as a Member until one year after the commencement of 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, whichever is the later.
- 1.5 The term of each appointment to the Members shall be determined by the Board upon appointment.

2. **Secretary**

- 2.1 The company secretary of the Company shall be the secretary of the Audit Committee.
- 2.2 The Audit Committee may from time to time appoint another secretary with appropriate qualification and experience.

3. **Meetings**

- 3.1 The Audit Committee shall meet at least twice a year. The external auditors may make the request to the Chairman to convene a meeting of the Audit Committee.
- 3.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each Member, and to any other person required to attend in relation to all regular

meetings of the Audit Committee, at least 14 days before the date of the meeting; and in relation to continued meetings held within 14 days, no prior notice is required.

- 3.3 The quorum of the meetings of the Audit Committee shall be two Members, one of them should be an independent non-executive director of the Company.
- 3.4 The Members may attend meetings either in person, by telephone or through other electronic means of communication (which are available to all attended parties).
- 3.5 Resolutions of the Audit Committee shall be passed with a majority of votes.
- 3.6 Resolutions signed by all Members will be treated valid as if it is passed in the meeting held by the Audit Committee.
- 3.7 Full minutes of the meetings of the Audit Committee shall be kept by the secretary of the Audit Committee and shall be available for inspection by any Member and/or any director of the Company at any reasonable time on reasonable notice. Draft and final versions of minutes of the meetings of the Audit Committee shall be sent to all Members for their comments and records within a reasonable time after the meeting. Once they are agreed, the secretary of the Audit Committee shall circulate the minutes and reports of the Audit Committee to all members of the Board.

4. **Attendance of Meetings**

- 4.1 The Audit Committee shall attend meetings at least twice a year with the external auditors without executive Board members present (except those invited by the Audit Committee).
- 4.2 Upon invitation by the Audit Committee, the following persons may attend all or any of the meetings: (a) the head of internal audit (if absent) the representative of internal audit; (b) the financial controller; (c) other Board members.
- 4.3 Only the Members shall have the voting powers.

5. **Annual general meetings**

- 5.1 The Chairman shall endeavour to attend the annual general meetings of the Company and be prepared to respond to any questions raised by the shareholders of the Company (the “Shareholders”) on the Audit Committee's activities. If the Chairman is unable to attend, a Member (who must be an independent non-executive director of the Company) shall attend the annual general meeting of the Company. Such person shall be prepared to respond to any questions raised by the Shareholders on the Audit Committee's activities.

6. **Duties and responsibilities**

The duties of the Audit Committee is to serve as a focal point for communication between other directors of the Company, the external auditors, and the management as their duties relate to financial and other reporting, risk management, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits.

- 6.1 to make 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 issues related to of its resignation or dismissal;

(Note: Under Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, an announcement must be published in relation to any change of auditors and any other matters that need to be brought to the attention of holders of securities of the issuer.)

- 6.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- 6.3 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6.4 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;
- 6.5 to report to the Board, identify any matters and make recommendations where action or improvement is needed;
- 6.6 to review and monitor the integrity of the Company's financial statements, annual report and accounts and half-year report (if applicable) and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein, and in reviewing these reports before submission to the Board, focusing particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgemental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 6.7 Regarding the above duties, the Audit Committee shall:
 - (a) liaise with the Board and the senior management of the Company;
 - (b) meet at least twice a year with the external auditor; and
 - (c) consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, should 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 external auditors;
- 6.8 to review the Company's financial controls, and unless expressly addressed by a separate board risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control 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;
- 6.9 to discuss the risk management and internal control systems with the management of the Company and ensure that the management has performed its duty to have effective systems;
- 6.10 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 such findings;

- 6.11 where an internal audit function exists, to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- 6.12 to review the financial and accounting policies and practices of the Company and its subsidiaries;
- 6.13 to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of risk management and control and management's response;
- 6.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.15 to act as the key representative body for overseeing the Company's relationship with the external auditor;
- 6.16 to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- 6.17 to report to the Board on the matters set out herein; and
- 6.18 to consider other matters, as required by the Board, to be performed by the Audit Committee.

7. **Reporting responsibilities**

- 7.1 After each meeting, the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities.

8. **Authority**

- 8.1 The Audit Committee is authorized by the Board to investigate any financial information and records of the Company.
- 8.2 The Audit Committee is authorized by the Board when necessary to seek any financial information it requires from any employee of the Company and its subsidiaries, to require any of them to prepare and supply financial information and answer questions raised by the Audit Committee.
- 8.3 The Audit Committee is authorized by the Board when necessary to obtain outside legal or other independent professional advice in connection with its duties at the Company's expense.

Note: All such arrangements of obtaining outside legal or other independent professional advice may be made by the company secretary of the Company.

- 8.4 The Audit Committee shall have access to sufficient resources in order to perform its duties.

“Senior management” refers to the same category of persons as referred to in the Company’s annual report. It is the responsibility of the directors of the Company to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries, heads of divisions, departments or other operating units within the group as, in the opinion of the directors, is appropriate.