

Terms of Reference for Audit Committee

(Approved by the board on 16th September, 1998 and
last updated with amendments effective 1st January, 2009)

1. Constitution

The board of directors (the “Board”) of Hopson Development Holdings Limited (the “Company”) resolved on 16th September, 1998 to establish a Committee of the Board known as the Audit Committee (the “Committee”). The Committee was formed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Membership

(a) The members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company from time to time and shall consist of not less than three members. At least one of the members is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10 (2) of the Listing Rules. The majority of the Committee members must be independent non-executive directors. The quorum of a meeting shall be two members of the Committee.

(b) The Committee presently comprises the following members:

Chairman: Mr. David Lee Tsung Hei

Members: Mr. Oliver Wong Shing Kay
Mr. Tan Leng Cheng, Aaron

3. Chairman

The Board shall nominate one of the members (who must be an independent non-executive director) as the chairman of the Committee, provided that if he or she is not present at any meeting of the Committee, the members present may appoint a chairman (who must be an independent non-executive director) for that meeting.

4. Attendance at meetings

Representative(s) of the Group’s finance function and/or the external auditors, if requested, shall attend meetings of the Committee. The Committee shall invite any appropriate person to attend the meeting whenever it is necessary. Other Board members shall also have the right of attendance.

5. **Secretary**

The Committee shall appoint a person, who need not be a director, to act as secretary of the meetings of the Committee (the “Secretary”).

6. **Frequency of meetings**

- (a) The Committee shall meet at least twice every year. Additional meetings shall be held as the work of the Committee demands.
- (b) The chairman of the Committee may convene additional meetings at his/her discretion.
- (c) The external auditor may request a meeting if they consider that one is necessary.

7. **Proceedings of meetings**

Proceedings of meetings of the Committee shall be governed by the relevant provisions of the Bye-laws of the Company for regulating the meetings and proceedings of the directors so far as the same are applicable and are not replaced by the provisions contained in these terms of reference.

(a) Notice

Reasonable notice of the time and place of each meeting of the Committee should be given to each member. So far as practicable, an agenda and accompanying board papers should be sent to all Committee members in a timely manner and at least 3 days before the intended date of a Committee meeting.

(b) Voting

At all meetings of the Committee, any questions shall be decided by a majority of votes cast by members of the Committee attending the meeting. In the case of any equality of votes, the chairman of the meeting shall have an additional or casting vote.

(c) Resolution in writing

Except as required by law, rules and regulations, a resolution signed by all the members of the Committee is as valid as if it had been passed at a meeting of the Committee.

(d) Form of meeting

Any member of the Committee may participate in a meeting of the Committee by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

8. **Authority**

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

9. **Duties**

The duties of the Committee shall be:

- (a) 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.
- (b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. Procedures to review and monitor the independence of external auditor may include:-
 - (i) consider all relationships between the Group and the audit firm (including the provision of non-audit services);
 - (ii) seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff; and
 - (iii) meet with the external auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise.

- (c) 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 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.
- (d) To monitor integrity of the financial statements, annual report and accounts (including directors' report, chairman's statement and management discussion and analysis), 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 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 Listing Rules and other legal requirements in relation to financial reporting.
- (e) In regard to (d) above:-
 - (i) members of the Committee must liaise with the Board and senior management and the Committee must meet, at least once 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 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 the external auditor.
- (f) To review the financial controls, internal control and risk management systems.

- (g) To discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.
- (h) To consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.
- (i) 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 the effectiveness of the internal audit function.
- (j) To review the Group's financial and accounting policies and practices.
- (k) To review the external auditor's management letter, any material queries raised by the external auditor to management in respect of 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 report to the Board on the aforesaid matters.
- (n) To consider other topics, as defined by the Board.

10. **Reporting procedures**

The Committee shall report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions to do so. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.