

EXCEL DEVELOPMENT (HOLDINGS) LIMITED

怡益控股有限公司

(“Company”)

Terms of reference of the Audit Committee (“Committee”)
of the Board of Directors (“Board”) of the Company

(Re-adopted by the Company pursuant to the Board resolution passed on 28 December 2015)

1. Constitution

1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 21 November 2013.

2. Membership

2.1 Members of the Committee (the “Members”) shall be appointed by the Board only amongst the non-executive directors of the Company and shall consist of not less than three members, the majority of which shall be independent non-executive directors. At least one Member must have appropriate professional qualifications or accounting or related financial management expertise as required in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), in particular but not limited to Rule 3.10(2) of the Listing Rules or any succeeding provisions thereof. If a Member shall cease to assume the responsibilities of a director of the Company (the “Director”), that member shall automatically lose the qualifications as a Member and if this results in the number of Members to fall below the minimum, the Board shall appoint a new Member to complement the number of Members in the Committee.

2.2 The Chairman of the Committee (the “Chairman”) shall be appointed by the Board and shall be an independent non-executive Director.

2.3 The company secretary of the Company shall be the secretary of the Committee who should attend all meetings of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary.

2.4 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.

2.5 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the 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 later.

3. Proceedings of the Committee

3.1 Notice:

- (a) Unless otherwise agreed by all the Committee members (either orally or in writing), a meeting shall be called by giving at least seven days' notice.
- (b) Notice shall be given to each Committee member in person orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine.
- (c) In respect of regular meetings of the Committee to be held as mentioned in clause 3.4 below, and so far as practicable for all other meetings of the Committee, the agenda and accompanying papers shall be sent to all the members of the Committee in a timely manner and at least 3 days before the intended date of the meeting of the Committee (or such other period as all the Committee members may agree).

3.2 Quorum: The quorum of the Committee meeting shall be two members of the Committee, both of whom shall be independent non-executive directors.

3.3 Attendance: The Chief Financial Officer (or any officer(s) assuming the relevant functions but having a different designation) shall normally attend meetings. Other Board members shall also have the right of attendance. At least twice a year the Committee shall meet with the external auditors without executive Board members present.

3.4 Frequency: Meetings shall be held at least twice annually or more frequently if circumstances require and with unanimous written consent to consider the budget, revised budget and, if published for publication, quarterly report prepared by the Board. The external auditors may request the Chairman of the Committee to convene a meeting, if they consider that one is necessary.

4. Written resolutions

4.1 Written resolutions may be passed by all Committee members in writing. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

5. Alternate Committee members

5.1 A Committee member may not appoint any alternate.

6. Authority of the Audit Committee

6.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (together, the “**Group**”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to monitor whether the Group’s management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time determined by the Board or a committee thereof);
- (c) to investigate any activity within these terms of reference and all suspected fraudulent acts involving the Group and request the management to make investigation and submit reports;
- (d) to review the Group’s internal control procedures and system;
- (e) to make recommendations to the Board for the improvement of the Group’s internal control procedures and system;
- (f) to request the Board to take all necessary actions to replace and dismiss the auditors of the Group;
- (g) to obtain outside legal or other independent professional advice at the cost of the Company on any matters within these terms of reference as it considers necessary;
- (h) where there is any disagreement between the Committee and the Board on the selection, appointment, resignation or dismissal of the external auditors which cannot be resolved, to report its own recommendation on such matters to the shareholders in corporate communications including but not limited to inclusion in the Corporate Governance Report in the Annual Report of the Company an explanation of the Committee’s recommendation and the reasons why the Board has taken a different view;
- (i) to review annually these terms of reference and their effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary; and
- (j) to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 7 below can be properly discharged.

6.2 The Committee should be provided with sufficient resources to perform its duties.

7. Duties

7.1 The duties of the Committee shall be:

Relationship with the Company's auditors

- (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 the resignation or the dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and reporting obligations in accordance applicable standards;
- (c) to discuss with the auditors the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences;
- (d) 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;
- (e) to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of financial information of the Company

- (f) to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- (g) to review the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly report before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards;

- (vi) compliance with the Listing Rules and other legal requirements 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 and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
- (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions; and
- (ix) any significant or unusual items that are, or may need to be, reflected in such reports and accounts;

and to provide advice and comments thereon to the Board;

- (h) 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (i) regarding (f) above:
 - (i) members of the Committee must liaise with the Board and senior management of the Group 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 the report and accounts, 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 or auditors;

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

- (j) 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;
- (k) to discuss the risk management and internal control systems with management to ensure that management has performed its duties 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;
- (l) 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 of these findings;

- (m) 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;
- (n) to review the Group's financial and accounting policies and practices;
- (o) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (q) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- (r) to report to the Board on the matters set out above;
- (s) to consider other matters, as defined or assigned by the Board from time to time; and
- (t) to fulfill any other responsibilities as required by the Listing Rules from time to time.

8. Veto rights of the Committee

- 8.1 The Committee has the following veto rights. The Group cannot implement any of the following matters which has been vetoed by the Committee:
- (a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive Directors and the independent shareholders); and
 - (b) to employ or dismiss the Group's financial controller or the internal audit manager.

9. Reporting procedures

- 9.1 The Committee shall report to the Board. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report the findings and recommendations of the Committee to the Board.
- 9.2 Full minutes of the meetings of the Committee and all written resolutions of the Committee should be kept by the secretary of the Committee.
- 9.3 The secretary of the Committee shall circulate the draft and final versions of minutes of the meeting of the Committee or, as the case may be, written resolutions of the Committee to all members of the Committee for their comment and records respectively within a reasonable time after the meeting or the passing of the written resolutions.

9.4 The secretary of the Committee shall keep record of all meetings of the Committee held during each financial year of the Company and records of individual attendance of members of the Committee, on a named basis, at meetings held during that financial year.

9.5 All Directors and Members shall be entitled to have access to these committee papers and related materials. These committee papers and related materials should be in a form and quality sufficient to enable the Committee to make informed decisions on matters placed before it. Queries raised by Members should receive a prompt and full response, if possible.

10. Shareholders' meeting

10.1 The Chairman should, as far as practicable, attend the annual general meeting and make himself available to respond to any shareholder questions on the Committee's activities. In the absence of the Chairman, another Member or failing that a duly appointed delegate of such Chairman or Member should attend the annual general meeting. Unless authorized by the Board, Member(s) attending the Meeting shall have the duty to keep confidential all matters discussed at the Meeting and shall not disclose relevant information to outsiders.

11. Continuing application of the articles of association of the Company

11.1 The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

12. Powers of the Board

12.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

12.2 The power to interpret these terms shall rest in the Board. These terms of reference shall be made available to the public by including the information on the Company's website and the Stock Exchange's website.

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(If there is any inconsistency between the English and Chinese version of these terms of reference, the English version shall prevail.)