



XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2088)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

(Adopted on 30 December 2015)

Constitution

1. The Audit Committee is established as a committee of the Board pursuant to a resolution passed by the Board at its meeting held on 6 November 2005.

Objective

2. The Audit Committee shall be responsible for ensuring the objectivity and credibility of financial reporting, monitoring the internal controls and risk management of the Company, and maintaining an appropriate relationship with the external auditor.

Membership

3. The Audit Committee shall consist of non-executive Directors (including independent non-executive Directors) only comprising a minimum of three members, at least one of them shall be 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 Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The majority of the members must be independent non-executive Directors of the Company. All of the members shall be appointed by the Board.

4. A former partner of the Company's existing auditing firm from time to time may not act as a member of the Audit Committee for a period of at least 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.
5. The Chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.
6. The appointment of the members of the Audit Committee may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board and by the Audit Committee. An appointment of Audit Committee member shall be automatically revoked if such member ceases to be a member of the Board.

Frequency of meetings

7. The Audit Committee shall meet at least twice a year with the Company's auditors or more frequently if circumstances require. The external auditors may request the chairman to convene a meeting if they consider it necessary.

Notice of meetings

8. Unless otherwise agreed by all the Audit Committee members (either orally or in writing), a meeting shall be called by at least seven days' notice. Such notice shall be sent to each member of the Audit Committee, and to any other person invited to attend. Irrespective of the length of notice being given, attendance of a Audit Committee member at a meeting constitutes a waiver of such notice unless the Audit Committee member attending the meeting attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the meeting has not been properly convened.

(Pursuant to paragraph A.1.3 of Appendix 14 of the Listing Rules, regular board meetings should be called by, so far as practicable, at least 14 days' notice)

9. Meetings of the Audit Committee shall be called either by the secretary to the Audit Committee at the request of the member of Audit Committee or the Audit Committee member himself/herself. Notice shall be given to each Audit 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 Audit Committee member or in such other manner as the Audit Committee members may from time to time determine.
10. Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
11. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Audit Committee and any other person required to attend no fewer than three days prior to the intended date of the meeting (or such other period as all the Audit Committee members may agree).

Attendance at meetings

12. A quorum shall be two members.
13. The chief financial officer, the head or a representative of the internal audit department (or any officer(s) assuming the relevant functions but having a different designation), and representative(s) of the external auditors shall normally attend meetings of the Audit Committee. Other Board members shall have the right to attend meetings of the Audit Committee. However, the Audit Committee shall meet with the external auditor of the Company without the presence of the executive Board and the management of the Company at least once a year.
14. The company secretary of the Company shall be the secretary of the Audit Committee. The secretary of the Audit Committee or in his/her absence, his/her representative or any one member of the Audit Committee present at the meeting may elect among themselves or appoint another person as the secretary of the meetings of the Audit Committee.

Written resolutions

15. Written resolutions may be passed by all Audit Committee members in writing.

Alternate Audit Committee members

16. An Audit Committee member may not appoint any alternate.

Authority

17. The Audit 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 of the Company and its subsidiaries (hereinafter collectively referred to as “**Group**”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Audit Committee meetings and to supply information and address the questions raised by the Audit Committee. All employees are directed to co-operate with any request made by the Audit Committee.
18. The Audit Committee is authorized by the Board, at the Company’s expense, to appoint outside legal or other independent professional advisers with relevant experience and expertise to assist the Audit Committee on any matters within these terms of reference as it considers necessary and to secure the attendance of such professional advisers at its meetings if it considers necessary.
19. The Audit Committee shall be provided with sufficient resources to perform its duties.
20. The Committee may exercise the following powers:
 - (a) 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);
 - (b) 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;

- (c) to review the Group's risk management and internal control procedures and system;
- (d) to review the performance of the Group's employees in the accounting and internal audit department;
- (e) to make recommendations to the Board for the improvement of the Group's risk management and internal control procedures and system;
- (f) to request the Board to convene a shareholders' meeting (if necessary) for purposes of revoking the appointment of any director and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly;
- (g) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group;
- (h) to commission reports or surveys as are necessary to assist in the performance of its duties at the cost of the Company;
- (i) where there is any disagreement between the Audit 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;
- (j) 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
- (k) to exercise such powers as the Audit Committee may consider necessary and expedient so that their duties under the section headed "Duties" below can be properly discharged.

Duties

21. The duties of the Audit Committee shall be:

Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendations 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 its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences, and ensure coordination where more than one auditor is engaged before the audit commences;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services (for which 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) and report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements contained in them;

(f) in reviewing the reports specified in paragraph 21(e) above, before submission to the Board, to focus particularly on:

- (i) any changes in accounting policies and practices;
- (ii) major judgemental areas;
- (iii) significant adjustments resulting from the audit;
- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards;
- (vi) compliance with the Listing Rules and 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;
- (ix) any significant or unusual items that are, or may need to be, reflected in such reports and accounts; and
- (x) the cashflow position of the Group;

and to provide advice and comments thereon to the Board;

and regarding paragraphs 21(f)(i) to (x) above, to:

- (xi) member of the Audit Committee should liaise with the Board and the senior management to carry out such review and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

- (xii) the Audit 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

- (g) to review the Company's financial controls, risk management and internal control systems;
- (h) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an 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;
- (i) 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;
- (j) 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;
- (k) to review the Group's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- (n) to conduct exit interviews with any Director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;
- (o) 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;
- (p) to consider the appointment of any person to be an Audit Committee member, auditors and accounting staff either to fill a casual vacancy or as an additional Audit Committee member, auditors and accounting staff or dismissal of any of them;
- (q) to report to the Board on the matters set out in this paragraph 21;
- (r) 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 and for appropriate follow-up action;
- (s) to act as the key representative body for overseeing the Company's relations with the external auditor; and discuss problems and reservations arising from the interim and final financial statements, and any other matters the external auditor may wish to discuss (in the absence of management where necessary);
- (t) to review the Company's statement on risk management and internal control systems to be included in the annual report prior to endorsement by the Board; and
- (u) to consider other topics, as defined or instructed by the Board.

22. The secretary of the Audit Committee shall keep record of minutes of all Audit Committee meetings and all written resolutions of the Audit Committee, and such minutes or written resolutions shall be available for inspection at any reasonable time on reasonable notice by any Director. The secretary shall also keep records of individual attendance of members of the Audit Committee on a named basis at Audit Committee meetings held during each financial year of the Company.
23. Minutes of Audit Committee meetings and all written resolutions of the Audit Committee shall record in sufficient detail the matters considered by the Audit Committee members and decisions reached, including any concerns raised by the Audit Committee members and dissenting views expressed. Draft and final versions of minutes of meeting of the Audit Committee, or as the case may be, written resolutions of the Audit Committee, shall be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after the meeting (generally, meaning within 14 days after the meeting) or before the passing of the written resolutions.
24. The secretary of the Audit Committee shall also circulate the minutes of meetings, reports and all written resolutions of the Audit Committee meetings to all members of the Board.
25. The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

Annual General Meeting

26. The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Audit Committee's activities and their responsibilities.
27. The Company's management shall ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Continuing application of the bye-laws of the Company

28. The bye-laws 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 Audit Committee.

Powers of the Board

29. The Board may, subject to compliance with the bye-laws of the Company and the Listing Rules (including the Corporate Governance Code and Corporate Governance Report 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 Audit Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

Publication of the terms of reference of the Audit Committee

30. The Audit Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of the Company and on the website of the Stock Exchange.

Adopted on 30 December 2015 in replacement of the terms of reference of the Audit Committee adopted on 30 March 2012.

* *For identification purpose only*