

Gemdale Properties and Investment Corporation Limited
(“Company”)

Audit Committee (“Committee”) – Terms of Reference

Membership

1. The Committee shall consist of not less than three members appointed by the board of directors of the Company (“**Board**”), all of whom shall be non-executive directors and a majority of whom should be independent non-executive directors (“**INEDs**”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). Among the Committee members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules.
2. The Committee Chairman shall be appointed by the Board and should be an INED.

Attendance at meetings

3. The Chief Executive Officer and the Chief Financial Officer, the department head responsible for internal audit, and a representative of the external auditors shall normally attend the meetings. Other Board members shall also have the right of attendance.
4. The company secretary shall be the Committee secretary. In the absence of the company secretary in any meeting of the Committee, Committee shall appoint a nominee to act as the secretary of the meeting of the Committee.

Frequency and proceedings of meetings

5. The Committee should meet not less than two times a year. Additional meetings should be held as the work of the Committee demands. The Committee Chairman may convene additional meetings at his/her discretion. Notice of the meetings shall be given to all Committee members.
6. The quorum for a meeting shall be two Committee members.
7. Proceedings of meetings of the Committee shall be governed by the provisions of the Company’s Bye-laws.

Authority

8. The Committee is granted the authority, subject to prior discussion concerning the cost, to investigate any activity within its terms of reference and all employees are directed to co-operate with the Committee.
9. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

10. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
11. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
12. The Committee is to be provided with sufficient resources to perform its duties.

Responsibility

13. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
14. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries, and as to the adequacy of the external and internal audits.

Duties, powers and functions

15. The Committee is:

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 issues related to 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; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (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 Company's financial information

- (d) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these 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 legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
 - (i) Committee members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external 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

- (f) to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself to review the Company'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 Company's accounting and financial reporting function;
- (h) 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;

- (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 Company, and to review and monitor its effectiveness;
- (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 auditor to management about the accounting records, financial accounts or systems of risk management and 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 matters in the code provision C.3.3 in the Corporate Governance Code set out in the Appendix 14 of the Listing Rules;
- (n) to consider other topics, as defined by the Board;
- (o) to review arrangements which employees of the Company 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 these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

Reporting procedures

- 16. The Committee should report to the Board on findings and recommendations of the Committee on a regular basis.
- 17. The Committee secretary should send the minutes of the Committee meetings to all Committee members for comment and records within a reasonable time after the meeting.

Annual General Meeting ("AGM")

- 18. The Committee Chairman shall attend the AGM and answer questions from shareholders at the AGM. In his/her absence, he/she should nominate another Committee member to attend and answer questions at the AGM.

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