

Audit Committee Terms of Reference

(Approved in March 2005 and last reviewed in November 2018)

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board, where appropriate, in consultation with the Committee Chairman. The Committee shall be made up of at least 3 members.
- 1.2 Majority of members of the Committee shall be independent non-executive directors, at least one of whom shall have relevant financial experience. The Chairman of the Board (unless he is an independent non-executive Chairman) shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, other directors and representatives from the finance or business function, may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be for such initial period (subject to extension) as prescribed by the Board.
- 1.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of the members to chair the meeting.

2. Secretary

The Committee Chairman shall nominate a secretary to the Committee.

3. Quorum

The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least 2 times a year or such other times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 4.2 In-camera meeting, wherein the secretary is not present, may be called as either a stand-alone meeting or as a separate private meeting at the end of a regularly scheduled Committee meeting. Management may or may not be invited, at the discretion of the Committee Chairman. A resolution shall convene and terminate the in-camera meeting when called at the end of a regularly scheduled meeting. Any such resolutions shall be recorded in the minutes of the meeting. Matters discussed “in-camera” are not to be discussed outside the meeting by those in attendance.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend at least 14 days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at least 5 clear days in advance of the meeting.

6. Minutes of Meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 The secretary shall circulate the minutes of Committee meetings to all members of the Committee within a reasonable time (generally within 14 days) after each meeting and, once agreed, to all members of the Board.

7. Annual General Meeting

The Committee 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.

8. Duties

The Committee shall carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

8.1 Financial Reporting

8.1.1 The Committee shall review the Group's financial and accounting policies and practices; monitor integrity of the financial statements of the Company, including its annual report and accounts, interim and other periodic reports, preliminary results announcements and review significant financial reporting judgments contained in them.

8.1.2 The Committee shall review and focus on areas including:

8.1.2.1 any changes in accounting policies and practices;

8.1.2.2 major judgmental areas;

8.1.2.3 significant adjustments resulting from audit;

8.1.2.4 the going concern assumptions and any qualifications;

8.1.2.5 compliance with accounting standards; and

8.1.2.6 compliance with the Stock Exchange Listing Rules and other legal requirements in relation to financial reporting.

8.1.3 In regard to 8.1.1 and 8.1.2 above:-

8.1.3.1 members of the Committee must liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external auditors; and

8.1.3.2 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 and compliance functions respectively or external auditors.

8.1.4 The Committee shall review the Group's financial and accounting policies and practices.

8.2 Internal Controls and Risk Management Systems

The Committee shall:

- 8.2.1 keep under review the effectiveness of the Group's internal controls (including financial control) and risk management systems;
- 8.2.2 discuss with management the internal controls and risk management systems and ensure management has discharged its duty to have effective systems (including the adequacy of resources, qualifications and experience of staff of the Group's internal audit, accounting and financial reporting functions, and their training programmes and budget);
- 8.2.3 consider any findings of major investigations of internal controls and risk management matters as delegated by the Board or on its own initiative and management's response to these findings;
- 8.2.4 ensure co-ordination between the internal and external auditors; the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function; and
- 8.2.5 review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.3 Employees' Concerns

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence and/or anonymous, about possible improprieties in financial reporting, internal controls or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow up action.

8.4 External Audit

The Committee shall:

- 8.4.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee shall oversee the selection process for new auditors and if auditors resign or are dismissed, the Committee shall investigate the issues leading to this and decide whether any action is required;

- 8.4.2 oversee the relationship with the external auditors including (but not limited to):
 - 8.4.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 8.4.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.4.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
 - 8.4.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in the ordinary course of business);
 - 8.4.2.5 agreeing with the Board a policy on prohibition of the employment of former partner of the Company's auditors acting as a member of the Committee for a period of 2 years commencing on the date of the person ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is the later, then monitoring the implementation of this policy; and
 - 8.4.2.6 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.
- 8.4.3 meet regularly with the external auditors to discuss the nature and scope of the audit and reporting obligations before audit commences and once after the audit at the reporting stage. The Committee shall meet the external auditors, where appropriate, without management being present, to discuss their remit and any issues arising from the audit;
- 8.4.4 review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
 - 8.4.4.1 a discussion of any major issues which arose during the audit;

8.4.4.2 any accounting and audit judgments; and

8.4.4.3 levels of errors identified during the audit;

8.4.5 review the management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or system of control and management's response to the auditors' findings and recommendations;

8.4.6 ensure the Board will provide a timely response to the issues raised in the external auditors management letter;

8.4.7 review the effectiveness of the audit; and

8.4.8 approve and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter. The current policy is set out in Appendix 1.

8.5 Reporting Responsibilities

8.5.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.5.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.6 Other Matters

The Committee shall:

8.6.1 consider other topics as defined by the Board;

8.6.2 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

8.6.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

8.6.4 give due consideration to applicable laws and regulations, including relevant corporate governance codes and the Stock Exchange Listing Rules as appropriate;

8.6.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and

8.6.6 make available the Committee's terms of reference.

9. Authority

The Committee is authorised:

9.1 to seek any information it requires from any employee of the Group in order to perform its duties;

9.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and

9.3 to call any employee to be questioned at a meeting of the Committee as and when required.

Definitions :

"the Board" shall mean the board of directors of the Company.

"the Committee" or the "Audit Committee" shall mean the Audit Committee of the Company.

"the Company" or "Hysan" shall mean Hysan Development Company Limited.

"the Group" shall mean the Company and its subsidiary undertakings.

Auditor Services Policy
- Engaging Professional Services from Auditors
(adopted in November 2012 and last reviewed in November 2018)

1. OBJECTIVE

The purpose of this policy is to set parameters for the engagement of the Auditors by Hysan consistent with applicable law and Hysan's corporate governance principles.

2. SCOPE & DEFINITION OF AUDITORS

2.1 This Policy covers all work that may be performed by the Auditors through engagements with Hysan or its subsidiaries.

2.2 The term "Auditors" refers to the firm of accountants and its affiliates that is appointed to perform the audit of the consolidated financial statements of Hysan and its subsidiaries. The current Auditors are Deloitte Touche Tohmatsu in Hong Kong.

3. POLICY

3.1 Scope of work and authorisation standards:

3.1.1 The authority of the Audit Committee, including as regards to engagement of the Auditors, are set out in the Committee's terms of reference.

3.1.2 The Auditors will only perform audit services, non-audit services and defined tax work. Definitions of "audit services", "non-audit services" and "tax work", along with examples, are included in Schedule 1.

3.1.3 The Audit Committee may approve exceptions to 3.1.2 above when it determines that such an exception is in the overriding best interests of Hysan and it is determined that such an exception does not impair the independence of the Auditors. However, certain non-audit activities are generally prohibited and generally will not be considered for exception from this policy. These prohibited non-audit activities are listed in Schedule 1.

3.2 On-going relationship standards:

3.2.1 Hysan supports the principle of partner rotation for its Auditors. The current Auditors have such a system in place.

3.2.2 Hysan will not employ, in a financial reporting oversight role, a member of the Auditors engagement team within 24 months of the final closure of the audit in which that individual last participated.

3.3 Measurement and Reporting Processes

3.3.1 On an annual basis, the Chief Financial Officer will prepare and present to the Audit Committee a summary report of all engagements of the Auditors that are currently underway or have been completed since the prior report. The summary report will describe the nature of each engagement, confirm that each engagement is in compliance with this policy and state the fees received by the Auditors for each engagement.

3.3.2 In addition to complying with Company's level of authority, Chief Financial Officer will be responsible for reviewing all contracts of engagement with the Auditors, except for contracts directly engaged by the Audit Committee or Internal Audit.

4. POLICY OWNER AND RESPONSIBILITY

The Audit Committee is the owner of this policy and will review and update this Policy and providing interpretations on its application.

Schedule 1

Categories of Work	Examples of Services
Audit Services	Statutory audits or financial audits for Hysan and its subsidiaries or affiliates.
	Services associated with Stock Exchange and SFC statements, periodic reports and other documents filed with the regulators or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to comment letters.
Non-Audit Services	Employee benefit plan audits and other employee investment equity audits.
	Agreed-upon-procedures reports or statutory compliance, regulatory or government procedures required to comply with financial, accounting or regulatory reporting matters.
	Due diligence services with respect to acquisitions or mergers of Hysan. These include the review of financial and tax information of the target and providing advice with respect to the likely impact on the reported financial statements and disclosures of Hysan.
	Closing balance sheet audits pertaining to dispositions.
	General assistance with implementation of the requirements of Stock Exchange or SFC rules or other applicable listing standards.
Tax Work	Review of the financial statement implications of Hong Kong and local tax consequences of business transactions.
	Hong Kong and local tax compliance – Hysan consolidated and subsidiaries including the preparation of tax returns.
	Assistance with tax audits and appeals before the IRD and other competent tax authorities.
	Tax assistance regarding statutory, regulatory or administrative developments.
Prohibited Non-Audit Activities	<p>The Auditors is prohibited from providing any of the following services:</p> <ul style="list-style-type: none"> (a) Bookkeeping or other services related to the accounting records or financial statements of Hysan, (b) Financial information systems design and implementation, (c) Appraisal or valuation services, (d) Internal audit outsourcing services, (e) Management functions or human resources, and (f) Any other services that the Stock Exchange, SFC or applicable regulator determines impermissible.