

Y. T. Realty Group Limited

(Incorporated in Bermuda with limited liability)

TERMS OF REFERENCE OF AUDIT COMMITTEE

In these terms of reference, references to one gender shall include all genders and references to natural persons shall include corporations and unincorporated associations, unless the context otherwise requires.

Membership, Chairman & Secretary

1. **Membership:** The Company's audit committee (the "Committee") shall be appointed by the board (the "Board") of directors of the Company ("Directors") and must comprise a minimum of three members.

Membership shall be exclusive to non-executive Directors. The majority of the Committee members must be independent non-executive Directors ("INEDs"), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year commencing on the later of: (a) the date of his ceasing to be a partner of the firm; or (b) the date of his ceasing to have any financial interest in the firm.

2. **Chairman:** The chairman of the Committee (the "Chairman"), who must be an INED, shall be appointed by the Board.
3. **Secretary:** The secretary of the Company, or in his absence, his delegate, shall be the secretary of the Committee (the "Secretary"). The Committee may from time to time appoint any other person with appropriate qualifications as the Secretary.

Authority

The Committee shall have the following authorities:

- 4.1 to investigate any activity within its terms of reference and to inspect all accounts, books and records of the Company;
 - 4.2 to seek any information it requires from the management and management must make every endeavour to accede to such requests that may be made by the Committee in the course of performing its duties;
 - 4.3 (a) subject to sub-paragraph 4.3(b), to obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise whenever it thinks fit. The related professional fees should be borne by the Company;
 - (b) in seeking independent professional advice or securing the attendance of outsiders with relevant experience and expertise, the Committee shall consult the chairman of the Board in advance and provide the Board with the best estimate of the related fees and expenses prior to any such appointment or engagement. If the appointment/engagement issue is not resolved to the satisfaction of the Committee, the matter should be referred to a committee of the INEDs who are available and willing to consider the matter; and
- 4.4 to be adequately resourced in order to discharge its duties.

Duties

The Committee shall have the following duties:

Relationship with the Company's auditors

- 5.1 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;
- 5.2 (a) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

- (b) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and
- (c) to ensure co-ordination where more than one audit firm is involved;

Note: For the avoidance of doubt, it is the primary responsibility of the external auditor to ensure its independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.

- 5.3
- (a) 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; and
 - (b) to 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;

Review of financial information of the Company

- 5.4 to monitor 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 any significant financial reporting judgments contained in them. In this regard, in reviewing the Company's 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:
- (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

5.5 In regard to sub-paragraph 5.4:

- (a) members of the Committee must liaise with the Board of Directors and senior management and the Committee must meet, at least once a year, with the auditors; and
- (b) 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 auditors;

Oversight of the Company's financial reporting system and internal control procedures

- 5.6 to review the Company's financial controls, internal control and risk management systems;
- 5.7 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;
- 5.8 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;
- 5.9 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 the effectiveness of the internal audit function;
- 5.10 to review the Group's financial and accounting policies and practices;
- 5.11 to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 5.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

5.13 to report to the Board on all matters set out in these terms of reference; and

5.14 to consider other topics, as defined by the Board.

Proceedings

6. **Frequency:** The Committee shall meet not less than twice a year.

A meeting of the Committee may be convened by the Secretary on request of a member or the auditor or by any member.

7. **Quorum:** The quorum shall be two members.

Members may participate in any Committee meeting by means of a conference telephone, electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

8. **Voting:** Questions arising at any Committee meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.

9. **Resolutions:** A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may be contained in a single document or may consist of several documents all in like form.

The Secretary should keep full minutes of the Committee meetings. Draft and final versions of minutes of the Committee meetings should be sent to all members for their comments and records respectively, in both cases within a reasonable time after each meeting.

10. **Attendance:** The finance director, financial controller, head of internal audit (if any) and a representative of the external auditor should normally attend the Committee meeting. In addition to those provided in sub-paragraph 4.3(a), the Committee may, from time to time, invite any person it deems appropriate to attend the meeting. Each other Board member should also have the right of attendance.

The Committee should meet, at least annually, with the external auditor without the presence of management (except by invitation of the Committee) to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

Reporting

11. The Secretary shall circulate the minutes of the Committee meetings and reports of the Committee to all members of the Board.

Communication

12. The Chairman or in the absence of the Chairman, another member of the Committee or failing this his duly appointed delegate, should attend the Company's annual general meeting to answer any questions that may be raised thereat on the Committee's activities and responsibilities.
13. A copy of these terms of reference will be made available on request.