

Rosedale Hotel Holdings Limited

珀麗酒店控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Constitution

1. The board of directors (the "Board") of Rosedale Hotel Holdings Limited (the "Company") has resolved to establish a committee known as the Audit Committee (the "Committee").

Membership

2. The members of the Committee shall be appointed by the Board from amongst the Non-executive Directors. The Committee must consist of not less than three members, at least one of whom is an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the Committee members must be Independent Non-executive Directors.
3. 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 from the date of his/her ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,

whichever is later.

Chairman

4. The chairman of the Committee shall be appointed by the Board and must be an Independent Non-executive Director.
5. The chairman of the Committee (in his/her absence, another member), shall attend and be available to answer questions on the Committee's activities at the annual general meeting of the Company.

Secretary

6. The Company Secretary or his/her nominee shall act as the secretary of the Committee unless the Committee determines otherwise.

Quorum

7. The quorum for the meetings of the Committee shall be two members.

Meetings

8. Meetings of Committee shall be held not less than twice a year and at such other times as the chairman of the Committee or any other members of the Committee shall require. The external auditor may request a meeting if they consider that one is necessary.
9. The Committee may invite other individuals such as other Directors, the head or representative(s) from internal audit (if there exists such function), the Financial Controller (or person occupying the same position) and representative(s) of the external auditor to attend for all or part of any Committee meeting, as and when appropriate. The Committee may request to meet with the external auditor without Executive Directors present whenever it thinks fit and appropriate.
10. A resolution in writing signed by all of the members of the Committee is as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
11. Any member of the Committee may participate in a meeting of the Committee by means of such telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.
12. Proceedings of the Committee's meeting shall be governed by the provisions of the Bye-laws of the Company regulating proceedings of the meetings of the Board, as amended from time to time, unless otherwise provided herein.

Authority

13. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the Company and/or its subsidiaries (the "Group") and all employees are directed to co-operate with any reasonable request made by the Committee.

14. The Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
15. The Committee shall be provided with sufficient resources to perform its duties.

Duties

16. The duties of the Committee shall be:

Relationship with the Company's auditor

- (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. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- (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;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of financial information of the Company

- (e) to monitor integrity of financial statements and annual reports 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;
- (f) Regarding (e) above:-
 - (i) members of the Committee should liaise with the Board and senior management 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 Group's staff responsible for the accounting and financial reporting function, compliance officer (or person occupying the same position) or external auditor;

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

- (g) to review financial controls, (and unless expressly addressed by a separate Board risk committee, or by the Board itself) to review the 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 effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group'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 the 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 financial and accounting policies and practices of the Group;
- (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 the 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 review arrangements employees of the Group 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;
- (o) to report to the Board on the above matters ; and
- (p) to consider other topics, as defined by the Board.

Reporting procedures

17. The Committee shall report to the Board its activities as it may require from time to time, or on its findings and recommendation, unless there are legal or other regulatory restrictions on disclosure.
18. The secretary of the Committee shall circulate the draft and final versions of the minutes of meetings and reports of the Committee to all members of the Committee for their comment and records within a reasonable time after the meeting.

19. Full minutes of the Committee meetings and reports should be kept by the secretary of the Committee. The secretary of the Committee shall circulate the minutes of meetings and reports of the Committee to the members of the Board upon their request.

Note: "senior management" is the same category of persons referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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(The English version shall prevail in case of any inconsistency between this English version and its Chinese translation)

1 December 2015