

Deson Development International Holdings Limited (the “Company”) Terms of Reference for Audit Committee

Functions and Objectives

The audit committee (the “**Committee**”) is appointed by the board of directors of the Company (the “**Board**”) with a view to assist the Board in overseeing and reviewing:

- The effectiveness of the Company’s internal control and risk management system
- The balance, transparency and integrity of the Company’s financial statements and the application of financial reporting principles
- The relationship with the external auditor, and its independence assessment
- The adequacy of resources, qualifications and experience of the Company’s accounting staff, their training programs, and budget

Composition

1. The Committee must comprise of non-executive directors only. The Committee must also comprise at least three members, with the majority being independent non-executive directors.
2. At least one of the independent non-executive directors serving as a member of the Committee must possess appropriate accounting professional qualifications or accounting or related financial management expertise.
3. The Committee must be chaired by an independent non-executive director.
4. Any former partner of the Company’s existing auditing firm should be prohibited from acting as a member of it’s Committee for a period of one year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm (whichever is later).
5. Unless it is agreed otherwise, the Company Secretary of the Company should assume the role of Secretary for the Committee.

Proceedings and Records of Meetings

1. The meetings and proceedings of the Committee are governed by the provisions of the Bye-Laws of the Company for regulating the meetings and proceedings of the Committee so far as the same are applicable and are not superseded by the regulations imposed by the Board.
2. Two members shall form a quorum for a meeting.
3. The Committee may invite such other persons (e.g. the CEO and external audit engagement partner) to its meetings as it deems necessary. Other Board members shall also have the right of attendance.
4. Meetings shall be held not less than 2 times a year. Special meetings may be convened as required. The Secretary of the Committee will convene a meeting on receipt of a request by the external auditors.
5. The Secretary of the Committee shall circulate the meeting agenda and supporting documentation to the Committee members a reasonable period in advance of each meeting.

6. Full minutes of the Committee should be kept by the Secretary of the Committee.
7. The draft and final versions of the minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
8. The chairman of the Committee or another member of the Committee shall attend the Board meeting and the annual general meeting at which the financial statements are approved.
9. The Committee will meet with the external auditors at least once a year without executive Board members present.

Authority

The Board authorizes the Committee to:

1. Perform activities within the scope of this terms of reference;
2. Engage independent counsel and other independent professional advisers as it deems necessary to perform its duties; and
3. Obtain information required by Committee members in pursuit of their duties, and have access to members of management and other employees for such purpose.

Duties

The authority of the Committee is derived from the Board, therefore the Committee is obliged report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so. The duties of the Committee are as follows:

1. Financial Control, Internal Control and Risk Management System

- 1.1 to review the Company's financial controls, internal control and risk management systems;
- 1.2 to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system.
- 1.3 to consider major investigation finding on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 1.4 to review the group's financial and accounting policies and practices;
- 1.5 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;
- 1.6 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 1.7 to report to the Board on the matters in the provisions in Code of Corporate Governance (Appendix 14 of the Listing Rules);
- 1.8 to ensure that the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Company's accounting and financial reporting function; and

- 1.9 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.

2. *Review of Financial Information*

- 2.1 to monitor the integrity of the Company's financial statements, annual report and half year report, by ensuring that appropriate accounting principles, practices and reporting standards are followed, and to review significant financial reporting judgments contained in them, with particular focus on: -

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the Listing Rules and legal requirements in relation to financial reporting.

- 2.2 for the purposes of 2.1 above:

- Committee members should liaise with Board, senior management, and must meet with the external auditors at least twice a year; and
- 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 qualified accountant, compliance officer or external auditors.

3. *Relationship with the External Auditors*

- 3.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors;
- 3.2 to approve the remuneration and terms of engagement of the external auditors;
- 3.3 to review and monitor the external auditors' independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards;
- 3.4 discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 3.5 to develop and implement policy on engaging an external auditor to supply non-audit services, if any, to ensure that provisions of such services would not impair the independency and objectivity of the external auditors; and
- 3.6 to act as the key representative body for overseeing the Company's relations with the external auditor.