

信德集團

SHUN TAK HOLDINGS
SHUN TAK HOLDINGS LIMITED
信德集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 242)

AUDIT COMMITTEE – TERMS OF REFERENCE

The Board of Directors (the “**Board**”) of Shun Tak Holdings Limited (the “**Company**”) hereby adopts these terms of reference of the audit committee (the “**Audit Committee**”) with authority, responsibility and specific duties as described below:-

Membership

The Audit Committee shall be appointed by the Board of the Company and consist of not less than three non-executive directors, a majority of whom should be independent. At least one of the independent non-executive directors must have the 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 quorum shall be two members. The Chairman of the Committee shall be an independent non-executive director appointed by the Board.

A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year from the date of his ceasing:

- (i) to be a partner of the firm; or
- (ii) to have any financial interest in the firm,

whichever is later.

Authority

The Audit Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to co-operate as requested by members of the Audit Committee. The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice as necessary to assist the Audit Committee and shall be provided with sufficient resources to perform its duties.

The Audit Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

Responsibility

The Audit Committee is to serve as a focal point for communication between other directors, the external auditors, the internal auditors and management as their duties relate to financial and other reporting, internal control and risk management systems, and the external and internal audits. The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the Company's internal control and risk management systems and as to the sufficiency of the external and internal audits (and other matters the Board deems necessary).

Meetings

The Audit Committee should meet at least two times per year. Additional meetings should be held as the work of the Audit Committee demands. The external auditors may request a meeting if they consider that one is necessary.

Meetings may be held by telephone conference.

Attendance

As necessary or desirable, the Chairman may request that members of management, the heads of internal audit and representatives of the external auditors be present at meetings of the Audit Committee. Other Board Members shall also have the right of attendance.

Secretary

The head of Group internal audit or the Secretary of the Company shall be the secretary of the Audit Committee.

Minutes

Minutes of the Audit Committee shall be kept by the secretary of the Audit Committee and draft and final versions of the minutes of the meetings shall be sent to all members of the Audit Committee for their comment and records within a reasonable time after the meeting.

The secretary of the Audit committee shall circulate the minutes of the meeting of the Audit Committee to all members of the Board.

General

The Audit Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the websites of The Stock Exchange of Hong Kong Limited and the Company.

Specific duties

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 questions of its resignation or dismissal. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the Audit Committee explaining its recommendation and also the reason(s) the Board has taken a different view;
- (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 Audit Committee shall discuss with the 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

- (d) to monitor 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 Audit 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) members of the Audit Committee should liaise with the Company's Board and senior management and the Audit 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 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, 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, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting function, and their training programmes and budget;
- (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) 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 financial and accounting policies and practices of the Company and its subsidiaries;
- (k) 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;
- (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 Corporate Governance Code contained in Appendix 14 of the Listing Rules (as amended from time to time);

- (n) to review arrangements where employees of the Company 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 and to act as the key representative body for overseeing the Company's relationship with the external auditor;
- (o) to establish, monitor and review the effectiveness of the whistleblowing policy and system for employees to raise concerns, in confidence, with the Audit Committee about improprieties in any matter related to the Company and to have independent review of the investigation results and make recommendations to the Board where appropriate; and
- (p) to consider other topics, as defined by the Board from time to time.

Adopted by the Board on 14 June 2005 and amended on 1 January 2009, 26 March 2012 and 7 December 2015 respectively.