

**Stelux Holdings International Limited**  
(the “Company”)

**Terms of Reference of Audit Committee**

The Audit Committee (the “Committee”) of the Company was set up on 26<sup>th</sup> February 1999.

**Membership**

1. The Committee shall comprise non-executive directors only and shall comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules.
2. The majority of the Committee members must be independent non-executive directors of the Company.
3. The Committee must be chaired by an independent non-executive director.
4. The Company Secretary of the Company shall be the secretary of the Committee.

**Quorum**

1. The quorum of a meeting shall be three members of the Committee.

**Frequency and proceedings of meetings**

1. The head of accounting, the Head of Internal Audit, and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external auditors without executive board members present.
2. Meetings shall be held not less than twice a year. Additional meetings shall be held as the work of the Committee demands. The external auditors may request a meeting if they consider it necessary.

**Authority**

1. 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 and all employees are directed to co-operate with any request made by the Committee.
2. The Committee is authorised by the Board to obtain outside legal or other

independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. The Committee is to be provided with sufficient resources to perform its duties.

### **Duties, powers and functions**

1. The Committee is:
  - (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;
  - (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 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 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 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 reports 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;
- (f) to review the Company's financial controls, internal control and risk management systems;
  - (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective internal control systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
  - (h) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
  - (i) 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;
  - (j) to review the group's financial and accounting policies and practices;
  - (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 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;
  - (n) to act as the key representative body for overseeing the Company's relations with the external auditor;
  - (o) to report to the Board on the matters under Code Provisions C.3 of the Listing Rules and matters connected to the Audit Committee; and
  - (p) to consider other topics, as defined by the Board.

### **Reporting procedures**

1. The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

**Notes:**

1. *In the event of discrepancies between the English version and the Chinese version of this document, the English version shall prevail.*
2. *\*“Senior Management” refers to the same persons referred to in the Company’s annual report and required to be disclosed under paragraph 12 of Appendix 16 of the Listing Rules.*

Adopted by the Board on 7 December 2018 and to take effect from 7 December 2018.