

SF REIT Asset Management Limited
 (as manager of SF Real Estate Investment Trust)

TERMS OF REFERENCE FOR AUDIT COMMITTEE

1. Definition

In these terms of reference, unless the content requires otherwise, the following terms have the following meanings:

“Audit Committee”	means the audit committee established by the Board
“Board”	means the board of Directors
“Corporate Governance Code”	means the Corporate Governance Code as set out in the Listing Rules (including amendments from time to time)
“Director(s)”	means director(s) of the Manager
“Entities”	means the Manager, subsidiary(ies) of the Manager (if any), the Trust and special purpose vehicles (as defined in the REIT Code) of the Trust
“ESG”	means environmental, social and governance
“INED(s)”	means independent non-executive Director(s)
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (modified as appropriate pursuant to 2.26 of the REIT Code), as amended from time to time
“Manager”	means SF REIT Asset Management Limited, manager of the Trust
“Property Development and Related Activities”	has the meaning ascribed to it in the Trust Deed
“REIT Code”	means the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong
“Relevant Investments”	has the meaning ascribed to it in the Trust Deed
“Trust”	means SF Real Estate Investment Trust (順豐房地產投資信託基金)
“Trust Deed”	means the trust deed dated 29 April 2021 constituting the Trust, as may be supplemented, amended and/or restated from time to time

2. Objective

The Audit Committee shall be responsible to the Board for establishing and maintaining effective internal financial reporting system, budget management system and internal control and risk management systems, ensuring the quality and integrity of financial statements, appointment and reviewing the performance of internal and independent external auditor, and ensuring the existence and working of an effective system of internal control and risk management, in respect of both the Manager and the Trust.

3. Membership and Meetings

3.1 The Audit Committee shall comprise at least three members who must be non-executive Directors with a majority of members being INEDs. At least one of INEDs must have appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee must be chaired by an INED.

3.2 The Audit Committee shall meet no less than two times per annum.

3.3 A former partner of the Trust's or the Manager's existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of two years from the date of the person ceasing:

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

whichever is later.

3.4 The Audit Committee shall report back to the Board on its decisions and progress on a regular basis.

3.5 At the discretion of the Audit Committee, any persons (including, without limitation, any senior management or other employees of the Manager, representatives of the professional firm engaged for provision of internal audit services, head of the internal audit function (if any), representatives of the external auditor, and other external advisors and consultants) may be invited to attend meetings (or parts of meetings) of the Audit Committee.

3.6 The Company Secretary of the Manager or such other person so appointed by the Audit Committee shall act as the secretary of the Audit Committee.

4. Responsibilities of the Audit Committee

4.1 Quality and Integrity of the Entities' Financial Statements and Published Information

(a) Review the completeness, accuracy, clarity and fairness and monitor the integrity of the financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall 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.

In carrying out its duties under 4.1 (a) above:

- A. the members of the Audit Committee should liaise with the Board and senior management, and the Audit Committee must meet, at least twice a year, with the external auditor; and
 - B. the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the annual and interim report and accounts, it should give due consideration to any matters that have been raised by Chief Financial Officer of the Manager (or staff responsible for the accounting and financial reporting function), Head of Compliance of the Manager or the external auditor.
- (b) Review the Entities' financial and accounting policies and practices.

4.2 Relationship with External Auditor

- (a) Approve the scope, terms, approach and nature of external auditor's reviews.
- (b) Recommend to the Board the appointment, re-appointment and removal of external auditor.
- (c) Consider any matters relating to the resignation or dismissal of external auditor.
- (d) Review and recommend to the Board the remuneration and terms of engagement of external auditor.
- (e) Review, assess and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards, and discuss with the external auditor the nature and scope of the audit and reporting obligations before audit commences.
- (f) Annually evaluate the qualifications, performance and independence of the external auditor.
- (g) Receive and evaluate reports from the external auditor on their own internal quality procedures.
- (h) Ensure rotation of the audit partner when considered appropriate.
- (i) Set policy on hiring employees or former employees of the external auditor.
- (j) Develop and implement policy on engaging 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.

- (k) Review the audit report and recommendations submitted by the external auditor. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
- (l) Review key audit matters, audit problems or difficulties (if any) encountered by the external auditor in the course of the audit, external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of internal control and risk management and management's response; and ensure that the Board will provide a timely response to issues raised in the external auditor's management letter.
- (m) Oversee the relationship with external auditor, including the coordination between the external auditor and the internal audit function.

4.3 Overall Budget Management

- (a) Make recommendations to the Board on the proposed annual budget for both the Manager and the Trust.
- (b) Approve the following matters on behalf of the Trust for the Board, according to the limits as determined by the Board from time to time, and report such amounts to the Board on a regular basis:
 - (i) capital expenditure where the budget is exceeded;
 - (ii) lease contract where the annualised contract sum is below budget;
 - (iii) property operating expense where the budget is exceeded; and
 - (iv) general and administrative expense where the budget is exceeded.

4.4 Internal Audit/Internal and Risk Management Controls for the Entities

- (a) Consider the scope, approach and nature of internal audit reviews.
- (b) Discuss with management to ensure that effective systems of internal control and risk management are in place.
- (c) Review annually the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions, as well as those relating to the ESG performance and reporting.
- (d) Ensure the internal audit function is adequately resourced and has appropriate standing within the Manager and the Trust; and review and monitor its effectiveness.
- (e) 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 and guide management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified.

- (f) Review and consider the procedures for the receipt, retention and treatment of complaints received by the Manager regarding accounting, internal accounting controls or auditing matters; and confidential, anonymous submissions by employees of the Entities of concerns regarding questionable accounting or auditing matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- (g) Recommend the appointment and removal of the head of the internal audit function.
- (h) Review and conduct at least annually the assessment of the effectiveness of the risk management and internal control systems and such review shall cover all material controls, including financial, operational and compliance controls.

4.5 Overall Risk Management

- (a) Assist the Board in its monitoring of the Entities' overall risk management profile.
- (b) Set guidelines and policies to govern risk assessment and risk management.
- (c) Discuss the Entities' major risk exposures (including ESG risks), major investigation findings on risk management, and the steps management has taken to monitor and control such exposures.
- (d) Review the status of the security of the Entities' electronic data processing information systems and the general security of the Entities' people, assets and information systems.

4.6 Others

- (a) Review and monitor connected party transactions and related party transactions of the Trust.
- (b) Monitor dealings of the Directors in accordance with any securities dealing policy adopted by the Manager.
- (c) Review and monitor the compliance with the Compliance Manual of the Manager.
- (d) Review the Entities' compliance with legal, ethical and regulatory requirements semi-annually.
- (e) Review and recommend to the Board on corporate governance policies and practices, including review of matters relating to the Corporate Governance Code, wherever applicable and the disclosure in the corporate governance report of the Trust.
- (f) Maintain open and free communication with the Board, the external auditor and the internal auditor (or representative of the internal audit service provider) and the financial and general management of the Manager.
- (g) Wherever applicable, review disclosure in the annual and interim reports to ensure that all material information concerning Property Development and Related Activities (which should include the development progress, the extent (in percentage terms) to which the percentage gross asset value limit has been applied and the costs incurred) and Relevant Investments, if any, is updated in the reports.

- (h) Review any disclosure to be published by the Trust and/or the Manager (whether announcements or otherwise) in relation to any matters that are within the purview of the Audit Committee.
- (i) Select, appoint, direct and (if appropriate) terminate outside experts, including obtaining legal and other independent professional advice, as the Audit Committee deems necessary in the performance of its duties.
- (j) Ensure proper arrangements are in place for employees of the Entities to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.
- (k) Consider other topics or issues as referred to the Audit Committee by the Board.

Approved by the Board on 29 April 2021

Updated on 24 November 2022

Updated on 28 June 2024

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