



時代集團控股有限公司
SITOY GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1023)

**TERMS OF REFERENCE OF
THE AUDIT COMMITTEE
(the “Committee”)**

Membership

1. The Committee shall be appointed by the board of directors of the Company (the “**Board**”) from amongst the non-executive directors and independent non-executive directors of the Company and shall consist of not less than three members, at least one of whom shall be 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
2. The majority of the members of the Committee shall be independent non-executive directors of the Company.
3. The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.
4. The appointment of the members of the Committee may be revoked and new members can be appointed in their stead by resolutions passed by the Board.
5. No alternate member of any member of the Committee can be appointed.
6. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Company’s audit 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.
7. The company secretary of the Company shall be the secretary of the Committee.

Attendance at meetings

8. The chief financial officer of the Company and its subsidiaries (the “**Group**”) (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company shall normally attend meetings of the Committee. Other members of Board may be invited to attend a particular meeting in order to answer specific points or concerns of the Committee. Where an internal audit function exists, the head of internal audit should normally attend meetings. At least once a year the Committee shall meet with the external and internal (if any) auditors in the absence of any executive directors of the Company.

Frequency and proceedings of meetings

9. Meetings shall be held not less than twice a year. Additional meetings should be held as and when the work of the Committee demands or when the Board demands.
10. The chairman of the Committee may convene additional meetings at his discretion.
11. The external auditors may request a meeting with the Committee if it considers necessary.
12. The quorum of a meeting shall be two independent non-executive directors.
13. Proceedings of meetings of the Committee shall be governed by the relevant provisions of the articles of association of the Company (as amended from time to time).

Authority

14. The Committee is granted the authority to investigate any activity within these terms of reference and to direct all employees to cooperate as requested by the Committee.
15. The Committee is authorised by the Board to obtain external legal or other independent professional advice if required by the Committee and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.
16. The Committee shall report to the Board on any suspected fraud and irregularities, failures of internal control or suspected breaches of laws, rules and regulations which come to its attention in relation to the matters set out in these terms of reference and which are of sufficient importance to warrant the attention of the Board.
17. The Committee shall be provided with sufficient resources to perform its duties.

Duties, powers and functions

18. The Committee is to:

Relationship with the Company's external auditors

- (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (b) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit process commences;
- (c) meet with the external auditors of the Company, at least annually, in the absence of the management of the Company, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise;
- (d) develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" 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;
- (e) review the extent of any non-audit services provided by the external auditors and ensure that the external auditors' provision of non-audit services does not impair their independence or objectivity;
- (f) when the external auditors supply non-audit services to the Group, keep the nature and extent of such services under review, and assess the objectivity and independence of the external auditors in relation to non-audit services with regard to the following:
 - (i) whether the skills and experience of the external auditors make it a suitable supplier of non-audit services;
 - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditors provide non-audit services;

- (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the external auditors; and
- (iv) criteria for compensation of the individuals performing the audit;
- (g) act as the key representative body for overseeing the Company's relations with the external auditors;
- (h) where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, ensure that the Company includes in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reasons why the Board has taken a different view;

Review of the Company's financial information

- (i) 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;
- (j) regarding (i) above:
 - (i) should liaise with the Board and senior management of the Company and must meet, at least twice a year, with the Company's external auditors; and
 - (ii) should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and 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 and internal control procedures

- (k) review the Company's financial controls and internal control system;
- (l) discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems with particular focus on the risk management over financial reporting system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (m) consider major investigation findings on risk management and internal control matters, with particular focus on the risk management over financial reporting system, as delegated by the Board or on its own initiative and management's response to these findings;
- (n) where an internal audit function exists, 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;
- (o) review the Group's financial and accounting policies and practices;
- (p) review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (q) ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (r) be familiar, through the individual efforts of its members, with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (s) review arrangements under which 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;

Others

- (t) recommend to the Board any appropriate extensions to, or changes in, the duties of the Committee;
- (u) make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of The Stock Exchange of Hong Kong Limited and the Company's website;
- (v) report to the Board on the matters referred to in these terms of reference; and
- (w) consider other topics as defined or assigned by the Board from time to time.

Annual General Meeting

19. The chairman of the Committee or in his/her absence, another member (who must be an independent non-executive director) of the Committee, shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Committee's activities and its responsibilities.

Reporting Procedures

20. The Committee should report to the Board on a regular basis on its decisions or recommendations and on the matters set out in these terms of reference.
21. Full minutes of the meetings of the Committee shall be kept by the secretary of the Committee, who shall prepare and send draft and final versions of minutes of meetings and all written resolutions of the Committee to all members of the Committee for their comment and records within a reasonable time after the meeting or the passing of the written resolutions. The secretary of the Committee shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Board, keeping the Board informed of the Committee's activities, decisions and recommendations on a regular basis.
22. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee since the last meeting of the Board. The Committee may present a report in writing to the Board which addresses the work and findings of the Committee.
23. If the above terms of reference or any of them are inconsistent with the Listing Rules (as amended from time to time), such term or terms of reference will cease to have effect and be replaced by the same as provided for in the Listing Rules so that the above terms of reference will be in full compliance with the Listing Rules.

Adopted on 15 November 2011 and revised on 26 March 2012 and 23 February 2016