AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(Extracted from 2024 Annual Report dated 25 March 2025)

COMPOSITION

The Audit and Risk Management Committee consists of three members, namely, Mr. Norman Ho, Mr. Michael Wu and Mr. Kevin Yip, all being INEDs. Mr. Norman Ho is the chairman of the Audit and Risk Management Committee. The Board is satisfied that the Audit and Risk Management Committee members collectively possess adequate financial experience to properly perform its duties and responsibilities. Mr. Norman Ho and Mr. Michael Wu hold professional accounting qualifications required by Rule 3.10(2) of the Listing Rules, details of which are set out in their biographies in "Management Profile" in this annual report.

DUTIES AND RESPONSIBILITIES

The Audit and Risk Management Committee's primary responsibilities include reviewing the Company's financial reports, risk management and internal control systems (including, among others, risks relating to ESG), and effectiveness and objectivity of the audit process.

According to its terms of reference (a copy of which is posted on the websites of the Company and the Stock Exchange), the Audit and Risk Management Committee shall meet at least twice a year. Decisions may be made by circulating written resolutions accompanied by explanatory materials.

ANNUAL WORK SUMMARY

During the year ended 31 December 2024, two Audit and Risk Management Committee meetings were held to review, inter alia, (i) the Company's interim and year-end financial reports, particularly areas requiring judgement, before submission to the Board; (ii) the internal audit programme and the effectiveness of the internal audit function (including audit progress, findings and management's responses); (iii) the adequacy and effectiveness of the risk management and internal control systems (including the risk management processes, the principal risks identified and risk mitigation controls); (iv) PwC's confirmation of independence, its reports for the Audit and Risk Management Committee and management's letter of representation; (v) the fees for annual audit and non-audit services for the year ended 31 December 2023 and recommendations regarding re-appointment of the Company's external auditor; and (vi) the adequacy of resources, qualifications, experiences and training requirements of staff responsible for accounting, financial reporting, treasury, financial analysis, ESG and internal audit functions and approved the Audit and Risk Management Committee Report as incorporated in the 2023 Annual Report.

The Audit and Risk Management Committee also reviewed continuing connected transactions; reviewed and approved PwC's terms of engagement as the Company's external auditor for the year ended 31 December 2024, and its further engagement to (a) review the Company's preliminary results announcement for the year ended 31 December 2024; and (b) report on continuing connected transactions as disclosed in this annual report. As at the date of this report, the Audit and Risk Management Committee also approved the fees for annual audit and non-audit services for year ended 31 December 2024, and recommended the re-appointment of PwC (the retiring auditor at the forthcoming AGM) as the Company's external auditor.

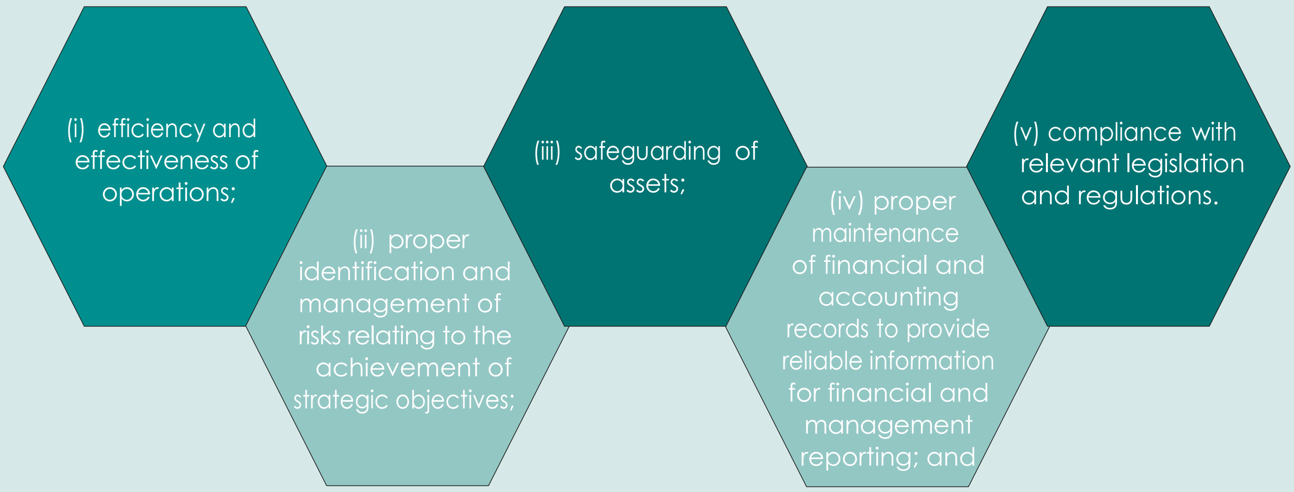
With the introduction of the Group's whistleblowing policy (the "Whistleblowing Policy") since December 2011 and its updates in August 2017 and March 2022, employees and those who deal with the Group (e.g. customers and suppliers) are provided with a channel and guideline to report suspected misconduct, malpractice or irregularity within the Group without fear of reprisal or victimization. The Audit and Risk Management Committee was delegated with the overall responsibility for monitoring and reviewing the effectiveness of the Whistleblowing Policy.

To promote and support anti-corruption laws and regulations, the Group has set up systems and internal procedures for prevention of bribery, fraud and corruption. Details of the procedures are set out in the Group's code of conduct and communicated across all business units and relevant trainings are provided to employees. Regular seminars, including presentations by the Hong Kong Independent Commission Against Corruption, are organised for new and existing employees.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities of the Board and Management

Shun Tak Group's risk management (including, among others, risks relating to ESG) and internal control responsibilities reside at all levels within the Group, from the Board down to heads of business and supporting units as well as the general staff. The Board has overall responsibility for ensuring that appropriate and effective risk management and internal control systems (including, among others, risks relating to ESG) are established and maintained. The Executive Committee assists the Board in designing, implementing and monitoring the Group's risk management and internal control systems (including, among others, risks relating to ESG) which have been designed to ensure:



Such systems are aimed at mitigating risks faced by the Group to an acceptable level, but not eliminating all risks. Hence, such systems can only provide reasonable, but not absolute, assurance that there will not be any material misstatement in the financial information and any financial loss or fraud.

Main features of the risk management and internal control systems

The Board has established a framework to maintain appropriate and effective risk management and internal control systems (including, among others, risks relating to ESG), which includes the following key procedures:

(i) setting core values and beliefs which form the basis of the Group's overall risk philosophy;

(ii) evaluating and determining the nature and extent of risks that the Group is willing to take in achieving its strategic objectives;

(iii) defining a management structure with clear lines of responsibility and authority limits which hold individuals accountable for their risk management and internal control responsibilities;

(iv) adopting an organisational structure which provides necessary information flow for risk analysis and management decision-making;

(v) imposing budgetary and management accounting controls to efficiently allocate resources and provide timely financial and operational performance indicators;

(vi) ensuring effective financial reporting controls to timely record complete and accurate accounting and management information;

(vii) overseeing the Executive Committee's policies and procedures on risk management, implementing risk mitigation measures and reviewing risk management results; and

(viii) through the Audit and Risk Management Committee, ensuring that appropriate risk management and internal control procedures are in place and function effectively.

Ongoing and annual review

Through the Audit and Risk Management Committee, the Board continues to review the effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance, information technology and security, fraud detection and risk management (including, among others, risks relating to ESG) controls. Such process encompasses a self-assessment from the head of each business or supporting unit and internal audit reviews conducted by the Group Internal Audit Department ("GIAD").

Control self-assessment from the Head of each Business or Supporting Unit

On an annual basis, the head of each business or supporting unit signs a confirmation to the Board that he/she has self-assessed the risk management and internal control systems (including, among others, risks relating to ESG) of their operations against the criteria for effective internal control and risk management in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (the "COSO Framework") and confirms that such systems are operating effectively.

The Executive Committee also conducts an annual review of the Group's risk management and internal control systems (including, among others, risks relating to ESG) with reference to the criteria in the COSO Framework and confirms to the Board that they are adequate and are operating effectively.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Internal audit reviews conducted by GIAD

The GIAD reports to the Audit and Risk Management Committee and has unrestricted access to the Group's records and personnel. To ensure systematic coverage of all auditable areas and effective deployment of resources, a four-year strategic audit plan adopting a risk ranking methodology has been formulated. This plan is revised annually to reflect organisational changes and new business development and is submitted for the Audit and Risk Management Committee's approval. Ad-hoc reviews will also be conducted if areas of concern are identified by the Audit and Risk Management Committee and management.

The GIAD reviews risk management and internal controls by:

(i) evaluating the control environment and risk identification and assessment processes;

(ii) assessing the adequacy of risk response measures and internal controls; and

(iii) testing the implementation of such measures and functioning of key controls through audit sampling.

The GIAD also assists the Audit and Risk Management Committee in its reviews of the adequacy of resources, qualifications, experiences and training requirements of staff responsible for accounting, financial reporting, treasury, financial analysis, ESG and internal audit functions. During each audit, staff qualifications and experience as well as manpower plans and training budgets are also reviewed to ensure competent staff are in place to maintain effective risk management and internal control systems. An audit report incorporating control deficiencies findings and management's rectification plans is issued for each audit.

The GIAD reports quarterly to the Audit and Risk Management Committee on the results of its assessment of the risk management and internal control systems (including, among others, risks relating to ESG) and status of implementation of follow-up actions on control deficiencies. In addition, the head of the GIAD attends Audit and Risk Management Committee meetings twice a year to report its progress.

The process used to identify, evaluate and manage risks (including, among others, risks relating to ESG)

Risk management is integrated into the Group's culture and day-to-day activities. With reference to International Standard on Risk Management-Principles and Guidelines ("ISO31000"), policies and procedures on risk management have been established to ensure a consistent approach to identify and address risks (including, among others, risks relating to ESG) in business processes. The Board has established a well-defined Risk Appetite to guide employees on the level of risk permitted. Each unit maintains a risk register to record all identified risks (including any emerging risks) by taking into account various external and internal factors including economic, financial, political, technological, health and safety, legislation and regulations, operational, processing, execution, ESG and in particular, climate-related risks and opportunities, where applicable, as well as the Group's strategies and objectives and stakeholders' expectations. A formal assessment is conducted to rank each of the identified risk. The risk ratings are determined based on the likelihood of a risk occurring and its potential impact or consequences.

Risk treatment options and mitigation controls are identified, analysed, implemented and reviewed. Risk management results are reported to the Executive Committee and the Audit and Risk Management Committee twice a year.

RISK MANAGEMENT PROCESS

PRINCIPAL RISK FACTORS

The Group's financial performance, operations and prospects for growth may be affected by risks and uncertainties, both direct and indirect. Based on the Group's risk assessment policies and procedures, key risk factors are identified and are set out below (For details of the Climate Change Risk, please refer to the Group's sustainability report which was separately issued in April 2025) but they are not exhaustive or comprehensive and there may be additional risks not yet known to the Group or known risks whose significance will appear only in the future:

1	Macroeconomic Environment	**What are the risks?** Changes in domestic, regional or global economic conditions may negatively affect consumer sentiment and lead to fluctuations in property prices and affect the value of properties owned or under development. Any continuous negative conditions such as escalating inflation, high unemployment rates, depressed stock or property prices, reduced disposable income, exchange rates fluctuations, etc. would significantly and adversely impact tourism and business spending patterns or reduce demand for business travel and hospitality and leisure businesses. Geopolitical conflicts, rising trade tensions and elevated borrowing costs in Asia and/or around the world may create uncertainty in the regional and global economic outlook.	**What are the possible impacts of occurrence?** The regional economy is picking up slower than expected after global pandemic threat. The uncertainty arising from geopolitical instability, trade barriers and tariffs, high interest rates, and the looming threat of recession have dampened investment and consumer sentiment. The Group derives a substantial portion of its revenue and operating profits from its property development, investments and property management services segments. The Group's performance is therefore dependent on economic conditions and performance of property markets in Hong Kong, Macau, PRC and Singapore. A sluggish macroeconomic environment is likely to adversely affect consumer sentiment and private consumption, and consequential downward pressure on room rates and occupancy levels of the Group's hotels, and may reduce demand for the Group's transportation and hospitality and leisure-related services such as restaurants, tourism facilities, MICE and retail businesses, all leading to a decline in revenue.

2	Reliance on Technology and Automated Systems	**What are the risks?** Cyberthreats, outdated technology, inadequate security measures may lead to failure of automated systems and causes disruption of operations, loss of important data, leakage of personal data and payment information etc, which result in financial loss and reputational damages. Any inability to utilise data analytics to achieve market intelligence or increase productivity and efficiency may cause the loss of competitive advantages.	**What are the possible impacts of occurrence?** Our businesses require the use of sophisticated technology and automated systems such as property management, sales and leasing, hospitality and leisure related systems, ticketing and reservation, navigation and telecommunication, payment and accounting, etc. Failure of such systems could result in suspension of operations, breach of data privacy regulations, damage of reputation and loss of revenues and may give rise to uninsured liabilities. Failure to identify and remediate vulnerabilities in our systems, networks, applications, processes or internal control procedures may subject our systems to exploitation which may lead to a complete compromise of the systems. Our existing IT infrastructure may not be able to meet performance expectations. Rapid speed of innovations enabled by advanced technologies may outpace the Group’s ability to compete or manage the risk appropriately.

3	Government Policies, Regulations and Approvals	**What are the risks?** Property, transportation and hospitality and leisure businesses are subject to extensive legal compliance requirements, grant of licenses or concessions, safety, hygiene, environmental, minimum wage and other necessary government approvals. Any breaches, incidents, or failure to receive licenses, concessions or approvals from relevant governments may cause suspensions of operations, loss of rights to operate or to pursue development plans. Government policies and regulations such as the cooling measures for property market, may lead to fluctuations in property prices and affect the schedule of land sales and approvals for land use. Contravention of Data Privacy Protection Regulations may result in huge amount of penalties.	**What are the possible impacts of occurrence?** Changes in government policies and increasingly stringent regulatory requirements may delay the Group in securing the required approvals, commencement and completion of its property projects and affect profits. Hospitality and leisure operations are subject to a wide range of laws and regulations and policies including healthcare, hygiene, personal data privacy, taxation, environmental, safety, fire, food preparation, building and security etc. Increases in minimum wages could cause higher operations costs and lower profits. The renewal of approvals at various operational stages of ferry operations must comply with conditions set by government authorities or shipping classification societies. Increases in departure tax or changes in visa approvals or entry restrictions may reduce passenger traffic and adversely affect revenue. Ensuring protection of data while complying with applicable legal and regulatory requirements for collecting, storing, securing, processing and using of sensitive data requires significant resources and increases the cost of operations.

4	Competition	**What are the risks?** The Group's owned or managed hotels are subject to intense competition from large, multi-branded hotel chains, emerging regional "life style" brands and competition from new alternative suppliers such as Airbnb and HomeAway. New integrated resorts which offer greater variety pose a threat to the traditional hotels. The Hong Kong-Zhuhai-Macau Bridge opens up land transportation to Macau which directly competes with the Hong Kong-Macau ferry service.	**What are the possible impacts of occurrence?** If the Group's owned or managed hotels cannot compete successfully, the operating margins, market share and earnings may be diminished. Revenue from the ferry traffic has been substantially reduced after opening of the Bridge. Rental income from the major source of patron flow at Shun Tak Centre – Macau ferry commuters, has been negatively impacted.
5	Outbreaks of Contagious Disease, Civil Unrest, Natural Disasters or Any Non-controllable Events	**What are the risks?** Outbreaks of contagious disease, civil unrest, severe weather conditions, natural disasters, terrorist attacks, disastrous events or travel security measures may lead to disruption of normal community life, reduction of passenger traffic and personal/business travels, suspension of operations and delay of property development schedules.	**What are the possible impacts of occurrence?** The Group's property leasing, hospitality and leisure, transportation, MICE and tourism related businesses are adversely affected by factors beyond the Group's control such as pandemic threat, severe weather conditions, natural disasters, travel security measures, civil unrest, terrorist attacks or outbreak of wars. Any occurrence may result in substantial loss of revenue or suspension of operations.

6	Availability of Labour, Resources and Materials	**What are the risks?** The Group needs to attract, retain and develop sufficiently skilled and experienced work forces to maintain high standards of quality and guest and customer services. Other factors which may increase the Group's cost, impact operations or cause construction delays include late delivery, adverse quality, shortages or increased costs of materials, contractor services, parts and components to maintain our fleet, properties and hospitality and leisure facilities. Unable to integrate ESG, and in particular, climate-related initiatives into supply chain strategy may result in failure to achieve the Group's emission targets or violation of the Group's culture of diversity, equity and inclusion and worker safety.	**What are the possible impacts of occurrence?** Labour shortage in the hospitality and leisure and servicing industry may affect the service quality of the Group's hospitality and leisure and transportation businesses. Any pandemic, severe weather or natural disasters may impact on the supply chains, from raw materials to finished products. Suppliers and service providers may be facing business continuity issues. Forced closure of factories and inward and logistic services due to severe weather or disasters may cause shortages of supplies and delay of the schedule of goods delivery. The Group relies upon affordable supplies of building materials and experienced and skillful contractors for its property project and, if unavailable, may lead to delays in completion, increase in costs and reduced profitability. Engaging suppliers who do not operate sustainably may damage the Group's reputation.
7	Counterparty, Employee Misconduct, Negligence, Legal Compliance and Fraud Risks	**What are the risks?** Business counterparties may fail to enforce standards and contractual terms which may give rise to disagreements. Any premature termination of, or inability to renew management or franchise agreements may cause suspension of operations, loss of business or increase in operational costs. Risks may also arise from employees' misconduct or negligence such as non-compliance with rules and regulations, internal policies and procedures, corruption, fraud or other malpractices. The Group may itself become involved in investigations and regulatory proceedings for breach of rules and regulations, improper business conduct, market abuse or bribery, etc.	**What are the possible impacts of occurrence?** The Group's bankers, joint venture partners, buyers, tenants, contractors, debtors, suppliers, etc. may potentially fail to honour their contractual, financial or operational obligations or other disagreements may cause the Group to delay its growth plans, service initiatives, or lose revenue, incur litigation costs or other liabilities and damage of reputation. Potential claims may arise for breach and negligence resulting from employee misconduct and fraud. Any dealings with parties convicted of money laundering or financing terrorism offence may result in breach of laws or revocation of license. Substantial legal liability could materially and adversely affect the Group's business and financial results or cause reputational harm.

8	Strategic, Decision Making and Integration Risks	**What are the risks?** The results of the Group's strategic decisions or business plans may fall short of expectations due to unsatisfactory implementation of plans or an inability to adapt to adverse business conditions. Without the agility to pivot in response to change can lead to strategic failure.	**What are the possible impacts of occurrence?** The Group may face challenges from establishing new businesses or acquiring ones with existing operations, managing them in markets where it possesses limited experience and failure to generate synergies, and this may drain or overstretch the Group's management and capital resources.
9	Financial Risk	**What are the risks?** Foreign exchange rate and interest rate fluctuations may result in losses or significantly increase the cost of financing. The inability to access sufficient capital/liquidity may restrict the Group's growth opportunities.	**What are the possible impacts of occurrence?** The Group adopts a prudent approach to financial risk management to minimise currency exposure and interest rate risks. Majority of funds raised by the Group are on a floating rate basis. Except for bank loans with principal amount of RMB242 million and SGD733 million, the Group's outstanding borrowings at year-end were not denominated in foreign currencies. Approximately 69% of the bank deposits, cash and bank balances are denominated in Hong Kong dollar ("HKD"), Macau pataca ("MOP") and US dollar ("USD") and the remaining balance mainly in Singapore dollar ("SGD") and Renminbi ("RMB"). MOP and USD are pegged to HKD. The Group's principal operations are primarily conducted in HKD while its financial assets and liabilities are denominated in USD, MOP, SGD and RMB. The Group will from time-to-time review its foreign exchange and market conditions to determine if hedging is required.

10	Climate Change Risk	**What are the risks?** Climate change and environmental-related risks, such as frequent occurrence of extreme weather events, rising global temperature and rise in sea level, may cause disruption to the Group's business operations and supply chain, as well as physical damage to the critical infrastructure of the Group's assets especially for those located in coastal areas. Extreme weather events may also pose direct health and safety risks to our employees exposed at their workplaces. More stringent policy and social awareness over climate change issues may also pose transition risks. More stringent policy imposes extra costs for us to meet the requirements. Greater awareness of the public of reduction in carbon intensity may imply a higher expectation on the Group's products and services to mitigate adverse impacts brought by climate change. Failure to respond promptly to such social awareness and changes in investors' and customers' preference will adversely affect the Group's revenue and reputation.	**What are the possible impacts of occurrence?** Climate change risks may pose a great challenge to the Group's property development and management businesses. Extra operating and investment costs for maintenance, and technical and management measures are required to tackle physical risks brought by extreme weather events such as super hurricanes and typhoons, flooding and heatwaves. Increased insurance costs for such extreme weather events may also cause a possible devaluation and lower rental premium of the Group's assets, which will in turn reduce the Group's revenue. In order to respond to the investors' and customers' concerns and awareness of climate change issues, more investments are required to conduct technology and equipment upgrades and adopt green materials for property development projects to enhance energy efficiency and reduce carbon emissions, which will increase the investment and construction cost to the Group. Introduction of more environmental and climate-related legislations by the government to restrict carbon emissions also poses transition risks to the Group. More stringent green building codes to the existing buildings may lead to earlier retirement of the equipment. More sustainability disclosures and measures are required to be fulfilled and adopted. Any breaches of the laws and regulations may result in disruption to the Group's business, possible fines and penalties as well as reputational harm.

RISK MITIGATION MEASURES

The Group's risk management and internal control systems ensure the proper identification, management and mitigation of risks (including, among others, risks relating to ESG and in particular, climate-related risks). The Executive Committee, together with a panel of senior management and working groups who are experienced in business development, fuel hedging, crisis management, safety, health and environmental protection, business continuity and information technology, closely monitor potential risks to minimize their impact (if any) on the Group; and explore ways to develop and enhance services and products, reduce cost and generate income for the Group.