



遠東控股國際有限公司

**Far East Holdings International Limited**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 36)**

## **Terms of Reference of the Audit Committee**

**(adopted on 28 March 2012 and last revised on 31 December 2015)**

### **Constitution**

1. The audit committee (the “Audit Committee”) of the board (the “Board”) of directors (the “Directors”) of Far East Holdings International Limited (the “Company”) is established pursuant to a resolution passed by the Board at its meeting held on 19 May 1999. The constitution of the Audit Committee shall comply with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from time to time.

### **Membership**

2. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent. A quorum shall be two members.
3. At least one of the members 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.
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 1 year from the date of his ceasing (whichever is later):
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm.
5. The chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive Director.
6. The appointment of the members of the Audit Committee may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board and by the Audit Committee.

### **Attendance at meetings**

7. Attendees shall normally include Audit Committee's members, the Financial Controller, the Head of Internal Audit (where an internal audit function exists), a representative of the external auditors and those with meaningful input to the Audit Committee's activities. However, at least once a year the Audit Committee shall meet with the external and internal auditors (if any) without executive Board members present.
8. Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication.
9. The company secretary shall be the secretary of the Audit Committee. The secretary of the Audit Committee or in his/her absence, his/her representative or any one member, shall be the secretary of the meetings of the Audit Committee.
10. Resolutions of the Audit Committee at any meeting shall be passed by a majority of votes of members if more than two members are present and by a unanimous vote if only two members are present.

### **Frequency of meetings**

11. Meetings shall be held not less than twice a year to consider the budget, revised budget and interim or annual report prepared by the Board. The external auditors may request a meeting if they consider that one is necessary.

### **Authority**

12. The Audit Committee is authorized by the Board to investigate activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
13. The Audit Committee is authorized 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.

### **Duties**

14. The duties of the Audit Committee shall be as follows:

#### *Relationship with the Company's auditors*

- (a) to be primarily responsible for making recommendation 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) 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 should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- (c) to 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 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 financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments 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 other legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
  - (i) 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 Company's auditors; and
  - (ii) the Audit 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, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (g) to discuss with the management the risk management and internal control systems to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (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 discuss problems and reservations arising from the interim and final audits or quarterly review, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (j) to review the external auditors' management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (k) to review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (n) to report to the Board on the matters set out in the terms of reference of the Audit Committee;
- (o) to review the group's financial and accounting policies and practices;
- (p) to consider other topics as defined by the Board;
- (q) the head of internal audit (if any) is directly accountable to the Audit Committee and the Board. The Audit Committee shall review the internal audit report and report to the Board and make recommendations;

- (r) to ensure that there are proper arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall carry out fair and independent investigation and appropriate action in relation to such matters; and
- (s) to act as the key representative body for overseeing the Company's relation with the external auditors.

### **Reporting responsibility and procedures**

- 15. 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) why the Board has taken a different view.
- 16. Full minutes of Audit Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of the minutes of the Audit Committee meetings should be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting.

### **Publication of the terms of reference of the Audit Committee**

- 17. The terms of reference of the Audit Committee will be posted on the websites of the Stock Exchange and the Company, and will be made available upon request.

### **Others**

- 18. The Audit Committee should be provided with sufficient resources to discharge its duties.