

## **PUBLIC FINANCIAL HOLDINGS LIMITED**

### **Terms of Reference**

#### **Audit Committee of the Board**

#### **Objectives of the Committee**

1. To assist the Board of Directors in providing an independent review of the effectiveness of the financial reporting process and internal control system of the Company and its subsidiaries (together “the Group”).
2. To report and make recommendations in connection with the financial reporting process and internal control system of the Group to the Board of Directors.

#### **Composition**

1. The Committee shall be appointed by the Board of Directors from amongst the Non-Executive Directors of the Company and shall consist of not less than three members. The majority of the Committee members shall be Independent Non-Executive Directors. The Committee must comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the Committee and 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 Chairman of the Committee shall be appointed by the Board of Directors and must be an Independent Non-Executive Director with a background in accounting, banking or other relevant financial industry.
3. The Company Secretary/Assistant Company Secretary shall be the secretary of the Committee.
4. Where there is a specific need for information or clarification on any matters, the relevant staff may be invited to attend the specific part(s) of the Committee’s meeting(s).

## Authority

1. The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It shall have the resources which are required to perform its duties and have full and unrestricted access to any information and documents pertaining to the Group. 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 of Directors to obtain legal or other independent professional advice at the Group's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## Functions

1. To draw up, review and update periodically a written charter for the Board of Directors' approval indicating the Committee's composition, authority and duties, as well as the manner of reporting to the entire Board of Directors;
2. To evaluate and approve the appointment, replacement, dismissal, performance and remuneration of the Head of Internal Audit and escalate to the Board of Directors for noting;
3. To approve the recruitment and dismissal of the Managerial Staff of Internal Audit Department;
4. To evaluate and approve the performance and remuneration of the Managerial Staff of Internal Audit Department;
5. To review the internal audit charter drawn up and updated periodically by the Head of Internal Audit, and recommend to the Board of Directors for approval;
6. To consider the appointment, reappointment and removal of the external auditors, the audit fees, terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors in the Group;

7. To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discuss with the external auditors, where necessary, before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
8. To develop and implement policy on the engagement of an external auditor to supply non-audit services;
9. To review the interim and annual financial statements before recommending to the Board of Directors for approval, focusing particularly on:
  - (a) any changes in accounting policies and practices;
  - (b) major judgemental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Listing Rules and legal and regulatory requirements in relation to financial reporting.
10. To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
11. To review the Group's financial controls, internal controls and risk management systems;
12. To discuss and review the system of internal controls and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;
13. To approve the audit plan and internal audit framework, review the effectiveness of internal audit programme, ensure co-ordination among the internal and external auditors as well as the regulatory authorities, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;

14. To review regular reports provided by Internal Audit Department, summarising the results of the internal audit function's work, including overall conclusions or assessments, key findings, material risks and issues, and follow-up of management's resolution of identified issues;
15. To establish a mechanism to assess the performance and effectiveness of the Internal Audit function;
16. To consider the major findings of internal investigations and management's response;
17. To review significant recommendations made by Internal Audit Department and management plans for their implementation;
18. To review the Group's financial and accounting policies and practices;
19. To review the external auditors' management letters, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response, and to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditors' management letter;
20. To report to the Board of Directors on the matters set out in the "Corporate Governance Code" under the Listing Rules and on the work performed by the Committee and its significant findings; and the progress made by the senior management in implementing any remedial actions to address deficiencies identified in the Group's internal control systems (including those identified by internal and external auditors or the Audit Committee itself);
21. To establish a whistleblowing policy and system for employees of the Group and those who deal with the Group to raise concerns, in confidence and without the risk of reprisals, about possible improprieties in financial reporting, internal control or other matters related to the Group and to ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action;
22. The effectiveness of the whistleblowing policy and system shall be reviewed from time to time and the results of the review shall be reported to the Committee at least annually;

23. To act as the key representative body for overseeing the Group's relation with the external auditors and the regulatory authorities; and
24. To consider other topics, as defined by the Board of Directors.

### Quorum

To constitute a quorum, at least two members must be present and shall comprise Independent Non-Executive Directors.

### Minutes

Minutes must be prepared to record fully all decisions and matters dealt with by the Committee and tabled to the Board of Directors for noting. A record of the attendance at each meeting should be maintained.

### Frequency of Meetings

Meetings shall be held generally four times a year. The external auditors may request a meeting if they consider that one is necessary.

### Attendance at Meetings

The Chief Executive and the Head(s) of Internal Audit shall normally attend meetings. A representative of the external auditors may be invited to attend the meeting as and when necessary, and would normally attend meeting to address issues on the audit of financial statements. Other Board members shall also have the right of attendance. The Committee must meet, at least twice a year, with the external auditors as per the requirements of the Listing Rules. The Committee shall meet with the external and/or internal auditors without the presence of the executive Board members at least once a year.