



福記食品服務控股有限公司
FU JI Food and Catering Services Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE
(EFFECTIVE DATE: 1 APRIL 2016)**

1. Constitution

- 1.1 The Board of Directors (the “Board”) of FU JI Food and Catering Services Holdings Limited (the “Company”) had resolved on 8 July 2013 to establish a committee known as the Audit Committee (the “Committee”) in order to provide the Board with an independent review of the effectiveness of the financial reporting process, risk management and internal control system of the Company and its subsidiaries (collectively, the “Group”).

2. Membership

- 2.1 The Committee members shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members. The majority of the Committee members must be independent non-executive directors.
- 2.2 The Chairman of the Committee shall be an independent non-executive director of the Company as appointed by the Board.
- 2.3 The terms of office of the Committee members shall be determined by the Board.
- 2.4 The Company Secretary of the Company, or any person with appropriate qualification and/or experience duly appointed by the Committee, shall act as the secretary of the Committee.
- 2.5 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year from the date of his ceasing:
- (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,
- whichever is later.

3. Attendance at meetings

- 3.1 A quorum shall be two Committee members, of whom at least one is an independent non-executive director.
- 3.2 The Financial Controller and a representative of the external auditors shall normally attend meetings of the Committee. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without executive Board members nor management present.

4. Frequency of meetings

- 4.1 The Committee shall meet at least two times a year. Any Committee member or the secretary of the Committee may convene Committee meeting if necessary. The external auditors may also request a meeting if they consider that one is necessary.

5. Authority

- 5.1 The Committee is authorized by the Board to investigate any 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 Committee.
- 5.2 The 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 considered necessary.

6. Terms of Reference

The specific duties of the Committee shall be:

Relationship with the external auditors

- 6.1 to 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.
- 6.2 to 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 commences.

- 6.3 to develop and implement policy on an external auditor 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.
- 6.4 to act as the key representative body for overseeing the Company’s relation with the external auditors.

Review of the Company’s financial information

- 6.5 to monitor the 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 judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:–
 - 6.5.1 any changes in accounting policies and practices;
 - 6.5.2 major judgmental areas;
 - 6.5.3 significant adjustments resulting from audit;
 - 6.5.4 the going concern assumptions and any qualifications;
 - 6.5.5 compliance with accounting standards; and
 - 6.5.6 compliance with the Listing Rules and legal requirements in relation to financial reporting.
- 6.6 Regarding sub-paragraph 6.5 above:–
 - 6.6.1 members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external auditors; and
 - 6.6.2 the 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 external auditors.

Review of corporate governance

- 6.7 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.
- 6.8 to review and monitor the training and continuous professional development of directors and senior management.
- 6.9 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.
- 6.10 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.
- 6.11 to review the Company's compliance with the Corporate Governance Code and report to the Board on the matters set out in Appendix 14 of the Listing Rules "Corporate Governance Code and Corporate Governance Report".

Oversight of the Company's financial reporting system, risk management and internal control Systems

- 6.12 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;
- 6.13 to discuss the risk management and internal control systems with management 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 programmes and budget of the Company's accounting and financial reporting function.
- 6.14 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.
- 6.15 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.
- 6.16 to review the Group's financial and accounting policies and practices.
- 6.17 to 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.

- 6.18 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- 6.19 to review arrangements employees of the Group 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.
- 6.20 to report to the Board on the matters in this Terms of Reference.
- 6.21 to consider other topics, as defined by the Board.

7. Reporting procedures

- 7.1 Full minutes of the Committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records within a reasonable time after the meeting. The secretary shall circulate the minutes of the meetings and reports of the Committee to all members of the Board.
- 7.2 The Committee shall report to the Board on a regular basis.