



PAK FAH YEOW INTERNATIONAL LIMITED

白花油國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 239)

**TERMS OF REFERENCE OF
THE AUDIT COMMITTEE**

** For identification purpose only*

Terms of Reference of the Audit Committee

Constitution

1. The Audit Committee (“the Committee”) was formed pursuant to the Board resolution of **Pak Fah Yeow International Limited** (“the Company”) with effect from 1 April 2012 and last revised on 31 August 2022.

Membership

2. The Committee shall be appointed by the board of directors (“the Board”) of the Company from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors of the Company (including at least one independent non-executive director with appropriate professional qualification or accounting or related financial management expertise as defined under rules 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).
3. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director of the Company.

Attendance at meetings

4. Attendees shall normally include Committee’s members, the Chief Financial Officer, a representative of the internal auditor, a representative of the external auditors and those with meaningful input to the Committee’s activities. However, at least once a year the Committee shall meet with the external and internal auditors without executive Board members and management of the Company present.
5. The company secretary shall be the secretary of the Committee. The secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.

Frequency and proceedings of meetings

6. Meetings shall be held not less than twice a year. The external auditors or any members of the Committee may request a meeting if they consider that one is necessary.
7. A quorum shall be two members. Any members of the Committee or other attendees may participate in a meeting of the Committee by attending in person or by means of a telephone conference or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
8. With consent by all members of the Committee, resolutions of the Committee could be passed by written resolutions.

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9. Any resolution shall be passed by the majority votes of the members of the Committee who attend the meeting and a majority vote of the members present shall represent an act of the Committee.

Notice of meetings

10. Meeting of the Committee shall be called by the chairman of the Committee or at the request of the Board.
11. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Committee and any other person required to attend, no fewer than 3 working days prior to the date of the meeting.

Authority

12. The Committee is authorised by the Board to conduct any investigation within its scope and power. It is authorised to seek any information it requires from any employee of the Company and all such employees are directed to co-operate with any request made by the Committee.
13. The Committee is authorised by the Board, at the Company's expense, to appoint legal or other independent professional adviser with experience and expertise to assist the Committee in the discharge of its duties set out in these terms, and to secure the attendance of such professional advisers at its meeting if it considers it necessary..

Responsibility

14. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor of the Company as regards their duties relating to financial and other reporting, risk management and internal control systems, external and internal audits and such other financial and accounting matters as the Board determines from time to time.
15. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Company and its subsidiaries (the "Group"), overseeing the audit process, reviewing the completeness, accuracy, clarity and fairness of the Company's financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions and performing other duties and responsibilities as may be assigned by the Board from time to time.

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Duties

16. The duties of the Committee shall be :

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, 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 Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" 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;
- (d) to 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 judgments 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;
- (e) Regarding (d) above:-
 - (i) members of Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

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- (ii) 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 auditors;
- (f) to review the Company's financial controls, risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an 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;
- (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 review and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (j) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of controls and management's response;
- (k) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (l) 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;
- (m) 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;
- (n) to report to the Board on the matters as set out in the terms of reference of the Committee;
- (o) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) review annually the external auditor's fees which have been negotiated with management of the Company;

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- (q) when the external auditor renders a substantial volume of non-audit services to the Group, to keep the nature and extent of such services under review, and ensure that the provision by the external auditor of non-audit services does not impair the external auditor's independence or objectivity;
- (r) act as the key representative body for overseeing the Company's relations with the external auditor;
- (s) to review the group's financial and accounting policies and practices; and
- (t) to consider other topics, as defined by the Board.

Reporting procedures

- 17. Chairman of the Committee who chair the meetings or other member of the committee who is authorized by the chairman of the Committee to chair the meeting shall report to the Board after each meeting of the Committee.
- 18. 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, unless there are legal or regulatory restrictions on its ability to do so.
- 19. The secretary of the Committee or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

Others

- 20. The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to questions at the annual general meeting on the Committee's activities and their responsibilities.

Revised on 31 August 2022