



# HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

## 香港小輪(集團)有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 50)**

Adopted on 20 March 2012 and revised with effect from 18 August 2023

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

#### **1. Membership**

- 1.1 The members of the Audit Committee (the “Members”) shall be appointed by the Board of Directors of the Company (the “Board”) from time to time and must consist of a minimum of three Members. The majority of the Members must be independent non-executive Directors (“INEDs”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.
- 1.2 The Chairman of the Audit Committee shall be appointed by the Board and must be an INED.
- 1.3 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 two years from the date of the person ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

#### **2. Secretary**

- 2.1 The Company Secretary shall be the secretary of the Audit Committee.

#### **3. Meetings**

- 3.1 The Audit Committee shall meet at least twice each year. Additional meetings should be held as and when the work of the Committee demands.
- 3.2 Notice of any meetings has to be given at least 7 days prior to any such meeting being held, unless all Members unanimously waive such notice.
- 3.3 The quorum of an Audit Committee meeting shall be two Members.
- 3.4 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a telephone conference or similar communications equipment or through electronic means of communications by means of which all persons participating in the meeting are capable of hearing each other.
- 3.5 Resolutions of the Audit Committee at any meetings shall be passed by a simple majority of votes of the Members present and voting.

*Revised with effect from 18 August 2023*

- 3.6 A resolution in writing signed by all the Members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 3.7 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records, within a reasonable period of time after the meeting.

#### **4. Attendance at Meetings**

- 4.1 At least once a year, representatives of the Company's external auditor will meet the Audit Committee without Executive Board members being present, except by invitation of the Audit Committee.
- 4.2 Subject to 4.1 above, as necessary or desirable, the Chairman may request that members of management, the head of internal audit and representatives of the external auditors be present at meetings of the Audit Committee.
- 4.3 Subject to 4.1 above, other Board members shall also have the right of attendance at meetings of the Audit Committee.
- 4.4 Only Members of the Audit Committee are entitled to vote at meetings of the Audit Committee.

#### **5. Annual General Meeting**

- 5.1 The Chairman of the Audit Committee or in his/her absence, another Member (who must be an INED) of the Audit Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

#### **6. Responsibility, Powers and Discretion**

The Audit Committee shall have the following responsibilities, powers and discretion:

##### ***Relationship with the Company's External Auditor***

- 6.1 to be primarily responsible for making recommendations 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;
- 6.2 to review and monitor the external auditor's independence and objectivity;
- 6.3 to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- 6.4 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 6.5 to act as the key representative body for overseeing the Company’s relations with the external auditor;

***Review of the Company’s financial information***

- 6.6 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 judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;
- 6.7 Regarding 6.6 above:
- (a) Members of the Audit Committee should liaise with the Board and senior management;
  - (b) the Audit Committee must meet, at least twice a year, with the Company’s external auditor; and
  - (c) 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 person occupying the same position), or external auditor;

***Oversight of the Company's financial reporting system, risk management (including ESG risks) and internal control systems***

- 6.8 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;
- 6.9 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, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting;
- 6.10 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;
- 6.11 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;
- 6.12 to review the financial and accounting policies and practices of the Company and its subsidiaries;
- 6.13 to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;
- 6.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.15 to review arrangements of employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

***Corporate governance functions delegated by the Board***

- 6.16 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 6.17 to review and monitor the training and continuous professional development of Directors and senior management;
- 6.18 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 6.19 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

6.20 to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

***Others***

6.21 to report to the Board on all matters in these terms of reference; and

6.22 to consider any other matters specifically referred to the Audit Committee by the Board.

**7. Reporting Responsibilities**

7.1 The Audit Committee shall report to the Board on its decisions or recommendations after each meeting, unless there are legal or regulatory restrictions on its ability to do so.

**8. Authority**

8.1 The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.

8.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.

8.3 Any Member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member of the Audit Committee.

8.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

**9. Publication of the Terms of Reference**

9.1 The terms of reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited.

**10. English to Prevail**

10.1 If there is any inconsistency between the English and Chinese versions of these terms of reference, the English version shall prevail.