

# **PUBLIC BANK (HONG KONG) LIMITED**

## **Audit Committee**

### **Terms of Reference**

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#### **1. Members of the Audit Committee**

- 1) Tan Sri Datuk Seri Utama Thong Yaw Hong  
(Co-Chairman/Independent Non-Executive Director)
- 2) Mr. Lee Chin Guan  
(Independent Non-Executive Director)
- 3) Tan Sri Dato' Sri Tay Ah Lek  
(Non-Executive Director)
- 4) Mr. Quah Poh Keat  
(Independent Non-Executive Director)

#### **2. Chairman**

The Chairman of the Committee shall be appointed by the Board of Directors and must be an Independent Non-Executive Director.

#### **3. Secretary**

The Company Secretary shall be the secretary of the Committee.

#### **4. Composition**

The Committee shall be appointed by the Board of Directors from amongst the Non-Executive Directors of the Bank and shall consist of not less than three members. A majority of the Committee members shall be Independent Non-Executive Directors.

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).

#### **5. Quorum**

To constitute a quorum, at least two members must be present.

## 6. **Authority**

- 1) The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. 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 Bank's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## 7. **Powers and Responsibilities of the Audit Committee**

- a) 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 Bank and its subsidiaries (together "the Group").
- b) To report and make recommendations in connection with the financial reporting process and internal control system of the Group to the Board of Directors.

The functions and Terms of Reference of the Audit Committee are:

- i) 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;
- ii) To appoint a suitably qualified Head of Internal Audit;
- iii) To approve the audit charter drawn up and updated periodically by the Head of Internal Audit;
- iv) 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;
- v) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard 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;
- vi) To develop and implement policy on the engagement of an external auditor to supply non-audit services;

- vii) To review the interim and annual financial statements before submission to the Board of Directors, 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 legal and regulatory requirements in relation to financial reporting.
- viii) 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);
- ix) To review the Group's financial controls, internal control and risk management systems;
- x) To discuss and review the system of internal control 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;
- xi) To approve the audit and compliance plans and 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 and compliance functions are adequately resourced and have appropriate standing within the Group;
- xii) To consider the major findings of internal investigations and management's response;
- xiii) To review significant recommendations made by Internal Audit Department and Compliance Department, as well as the management plans for their implementation;
- xiv) To review the Group's financial and accounting policies and practices;
- xv) 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;
- xvi) To report to the Board of Directors on the work performed by the Committee and its significant findings;

- xvii) To establish a whistleblowing policy and system for employees of the Bank and the Group and those who deal with the Bank and the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters related to the Bank and 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;
- xviii) To act as the key representative body for overseeing the Group's relation with the external auditors and the regulatory authorities; and
- xix) To consider other topics, as defined by the Board of Directors.

## 8. **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.

## 9. **Attendance at Meetings**

The Chief Executive and the Chief Internal Auditor 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. When necessary, the Committee shall meet with the external and/or internal auditors without executive Board members present.

## 10. **Reporting Procedures**

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.