

# **PYXIS GROUP LIMITED**

## **瀚智集團有限公司**

*(Incorporated in Bermuda with limited liability)*  
**(stock code: 516)**

### **PYXIS GROUP LIMITED (the “Company”)**

#### **Audit Committee (the “Committee”)**

#### **Terms of Reference**

##### **A. Constitution**

1. This Terms of Reference of the **Committee** was approved by the Board of Directors (the “**Board**”) of the **Company** on 31 March 2004, and subsequently revised and approved on 02 February 2012.

##### **B. Membership**

1. The **Committee** shall be appointed by the **Board** from amongst the Non-Executive Directors of the **Company** and shall consist of not less than the number as stipulated by the Rules Governing The Listing Of Securities On The Stock Exchange Of Hong Kong Limited (the “**Listing Rules**”), a majority of whom should be Independent Non-Executive Directors (“**INED**”). A quorum shall be two members.
2. The Chairman of the **Committee** shall be appointed by the **Board** and should be an **INED**.

##### **C. Attendance at meetings**

1. The Executive Directors, the Finance Head, the Head of Internal Audit (if any), and a representative of the external auditors shall normally attend meetings. However, the **Committee** has the full authority to meet with the external auditors without Executive Board members present at any time, as the Chairman of the **Committee** considers necessary.
2. The Company Secretary shall be the secretary of the **Committee**.

#### **D. Frequency of meetings**

1. Meetings shall be held at any frequency as the Chairman of the **Committee** considers necessary. The external auditors may request a meeting if they consider that one is necessary.

#### **E. Authority**

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**.
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 it considers this necessary.

#### **F. Duties**

1. The duties of the **Committee** shall be:
  - (a) 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;
  - (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 auditor the nature and scope of the audit and reporting obligations before the audit 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 judgements 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 judgemental areas;
  - (iii) Significant adjustments resulting from the audit;
  - (iv) The going concern assumption;
  - (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 the **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
  - (ii) the **Committee** should consider any significant or unusual items that are, or may need to be, reflected in the reports 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, internal control and risk management systems;
- (g) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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 investigations findings on internal control matters as delegated by the **Board** or on its own initiative and management's response to these findings;
- (i) 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;

- (j) To review the financial and accounting policies and practices of the **Company** and its subsidiaries;
  - (k) To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
  - (l) To ensure that the **Board** will provide a timely response to the issues raised in the external auditor's management letter;
  - (m) To report to the **Board** on the matters in this code provision; and
  - (n) To consider other topics, as defined by the **Board**.
2. The **Committee** shall also:
- (a) To review arrangements employees of the **Company** 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; and
  - (b) To act as the key representative body for overseeing the **Company's** relations with the external auditor.

### **G. Reporting procedures**

1. The secretary shall circulate the minutes of meetings and reports to the **Committee** to all members of the **Board**.

*(Version 1 – 31 March 2004)*

*(Revised 1 – 02 February 2012)*