# PAX GLOBAL TECHNOLOGY LIMITED
# 百富環球科技有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 327)**

(the "Company")

## AUDIT COMMITTEE

## TERMS OF REFERENCE

### FOREWORD

Below are the Terms of Reference of the Audit Committee of the Company (the "Committee"), and such terms are amended and approved by the board (the "Board") of directors (the "Directors") of the Company from time to time in compliance with the Corporate Governance Code under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### MEMBERSHIP & SECRETARY

1. **Composition:**

The Committee shall have at least three members ("Members" and each a "Member").

The Committee shall be appointed by the Board from amongst the Non-Executive Directors, a majority of which must be independent Non-Executive Directors ("INEDs").

At least one INED must have appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules.

A former partner of the Company's existing auditing firm is prohibited from acting as a Member for a period of two years from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

* *For identification purpose only*

2. **Chairman:** The Chairman of the Committee shall be appointed by the Board and must be an INED.

3. **Secretary:** The Company Secretary of the Company, or in his/her absence, his/her representative, shall act as the Secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary of the Committee.

**AUTHORITY**

4. The Committee is authorized by the Board:

   (a) to investigate any activity within these terms of reference;

   (b) to inspect all accounts, books and records of the Company and its subsidiaries (the "Group"); and

   (c) to seek any information it requires from any relevant parties.

5. The Committee is authorized by the Board where necessary to have access to independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary to perform its duties.

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

**SCOPE**

The Committee shall operate under the following scope:

**A. Relationship with the Company's External Auditors**

7.1 to act as the key representative body for overseeing the Company's relations with the external auditor;

7.2 (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor;

   (b) to approve the remuneration and terms of engagement of the external auditor; and

   (c) to consider any questions of the resignation or dismissal of the external auditor and consider whether there are any matters that need to be brought to the attention of the shareholders of the Company;

7.3 to review and monitor the external auditor's independence and objectivity;

7.4 (a) to review and monitor the effectiveness of the audit process in accordance with applicable standards; and

(b) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

7.5 (a) 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); and

(b) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

**B. Review of the Company's financial information**

7.6 (a) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, quarterly reports (if prepared for publication);

(b) to review any significant financial reporting estimates and judgments contained in them;

In reviewing these reports before submission to the Board, the Committee shall 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;

(c) to discuss major accounting and audit issues and qualifications arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);

7.7 In regard to 7.6 above:–

(a) Members should liaise with the Board and senior management;

(b) the Committee must meet, at least twice a year, with the Company's auditors; and

(c) the Committee shall 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;

**C. Oversight of the Company's financial reporting system, internal control and risk management systems**

7.8 to review the Company's financial control and the Group's internal control and risk management systems;

7.9 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 and financial reporting function;

7.10 unless expressly addressed by a separate board risk committee:

(a) to consider, review and approve the risk management policies, activities and guidelines;

(b) to identify the risk of the Group and decide on risk levels;

(c) to approve major decisions affecting the Group's risk profile or exposure and adopting such guidelines as it considers appropriate;

(d) to consider the effectiveness of decision making processes in crisis and emergency situations; and

(e) to review at least twice per annum the effectiveness and resources of the risk management and internal control systems of the members of the Group;

(f) to provide confirmation to the Board on the effectiveness of the risk management and internal control systems; and

(g) to cooperate with the separate board risk committee (if risk committee exists) to ensure that the separate board risk committee shall have access to information necessary to fulfill their duties and responsibilities with respect to risk assessment and risk management;

7.11 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;

7.12 where an internal audit function exists,

(a) 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

(b) to review and monitor its effectiveness;

7.13 to review the Group's financial and accounting policies and practices;

7.14 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;

7.15 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

7.16 to review the Company's or the Board's statement on internal control and risk management systems (where one is included in the annual report);

7.17 to consider the major findings of internal investigations and management's response;

7.18 to consider the effectiveness of the Group's decision making processes in crisis and emergency situations and to maintain the Group's risk management standards;

7.19 on an annual basis report to the Board on the effectiveness of the risk management systems and internal control systems (including financial, operational and compliance controls) for the Group and adequacy of resources of its internal audit functions;

7.20 to report to the Board on all matters set out in these Terms of Reference;

7.21 to consider any other duties applicable to the Committee as specified in the Listing Rules (including the code provisions of the Corporate Governance Code) or as delegated to the Committee by the Board from time to time;

7.22 to review the arrangement that the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters; and

7.23 to ensure that proper arrangements are in place for fair and independent investigation of possible improprieties in financial reporting, risk management and internal control or other related matters and for appropriate follow-up action.

**ANNUAL GENERAL MEETING & TERMS OF REFERENCE**

8. The Chairman of the Committee or in his/her absence, another Member or failing which his/her duly appointed delegate, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Committee's activities and responsibilities.

9. The Terms of Reference will be made available on the websites of the Company and The Stock Exchange of Hong Kong Limited respectively.

**MEETINGS**

10. **Frequency:** The Committee shall meet at least twice a year. Additional meetings should be held if the Committee considers it necessary or upon request of the Company's external auditor.

11. **Quorum:** The quorum of a meeting shall be any two Members at least one of whom must be an INED.

12. **Notice:** Notice of any meetings of the Committee has to be given 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member.

13. **Resolutions:** Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present. Meetings can also be held in person, by telephone or by video-conferencing or any other telecommunications facility provided that all participants are thereby able to communicate contemporaneously by voice with all other participants.

A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

The Secretary of the Committee shall keep full minutes of all Committee meetings which shall be open for inspection at any reasonable time on reasonable notice by any Member. The minutes should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Members or dissenting views expressed. Draft and final versions of minutes of meetings of the Committee shall be sent to all Members for their comment and record, within a reasonable period of time after each meeting.

14. **Attendance:** The Accounting Manager, Company Secretary and a representative of the Company's external auditor shall normally attend the meetings. The Committee may, from time to time, invite any appropriate person to attend the meeting whenever it is necessary.

However, only Members are entitled to vote at the meetings.

**REPORTING PROCEDURES**

15. The Secretary of the Committee or his/her representative shall circulate the minutes of meetings of the Committee to the Board to report on any of its decisions or recommendations.

16. The Committee shall report to the Board on its decisions and recommendations on a regular basis.

*Remark: "Senior management" should refer to the same persons referred to in the Company's annual report and is required to be disclosed under Appendix D2 of the Listing Rules.*

***(Note: The Chinese version of these terms of reference is a translated version of the English version and is for reference only. In case of inconsistency between the two versions, the English version shall prevail).***