



PYI Corporation Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 498)

Terms of Reference

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

1. Membership

- 1.1 The members of the Committee (the “**Member(s)**”) shall be appointed by the board of directors (the “**Director(s)**”) of PYI Corporation Limited (the “**Company**”) (the “**Board**”) from time to time.
- 1.2 Membership shall be confined to non-executive Directors the majority of which shall be independent non-executive Directors (the “**INED(s)**”), and at least one INED shall be with appropriate professional qualifications or accounting or related financial management expertise as defined in Chapter 3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 1.3 The Committee shall consist of not less than three Members.
- 1.4 The Chairman of the Committee shall be appointed by the Board and shall be an INED.

2. Secretary

- 2.1 The Company Secretary shall serve as secretary of the Committee and he/she (or in his/her absence, his/her duly appointed representative or any one Member) shall be the secretary of the Committee’s meetings.

3. Meetings

- 3.1 The Committee shall meet at least twice a year.
- 3.2 Meetings may be convened by any Member or by the secretary of the Committee on the request of a Member. Notice may be given in writing or by telephone or by facsimile or electronic transmission or other similar means or in such other manner as the Committee may from time to time determine.

- 3.3 The quorum of the Committee shall be any two Members.
- 3.4 Meetings can be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 3.5 Resolutions of the Committee at any meetings shall be passed by a simple majority of votes of the Members present.
- 3.6 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.
- 3.7 Other than that stated herein, all the provisions of laws and of the Company's bye-laws relating to the proceedings of the Board shall apply mutatis mutandis to proceedings of the Committee.
- 3.8 Draft and final versions of minutes of meeting of the Committee shall be sent to all Members for their comment and records respectively within a reasonable time after the meeting is held. Final version of minutes of meetings shall be kept by the secretary of the Committee and open for inspection by the Members and the Board.

4. Attendance at meetings

- 4.1 The Chief Financial Officer, the external auditors and other Board members or any other persons may be invited to attend all or part of any meetings.
- 4.2 Only Members are entitled to vote at the meetings.

5. Authority

- 5.1 The Committee shall have the right to require the Company's management to furnish such available information on any matter relating to the financial position of the Company and its subsidiaries or affiliates, as may be required for the purposes of performing its duties.
- 5.2 The Committee is authorised by the Board to obtain independent legal or other professional advice, if necessary, to perform its duties at the expense of the Company.
- 5.3 The Committee shall be provided with sufficient resources to perform its duties.

6. Responsibility and powers

The Committee shall have the following ongoing responsibilities and powers:

Relationship with the Company's 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 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;
- 6.3 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;

Review of the Company's financial information

- 6.4 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:
 - (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 Listing Rules and legal requirements in relation to financial reporting;

- 6.5 regarding paragraph 6.4 above:
- (a) Members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (b) 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 person occupying the same position) or auditors;

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

- 6.6 to review the Company's financial controls, internal control and risk management systems;
- 6.7 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 (i) any unusual and significant issue(s) from these systems raised by relevant parties from time to time and (ii) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 6.8 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;
- 6.9 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;
- 6.10 to review the group's financial and accounting policies and practices;
- 6.11 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;
- 6.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.13 to report to the Board on the matters in these Terms of Reference;
- 6.14 to consider other topics, as defined by the Board;

Others

- 6.15 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
- 6.16 to act as the key representative body for overseeing the Company's relations with the external auditor.

7. Reporting procedure

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

Remark : "senior management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under Appendix 16 to the Listing Rules.

Date: 15 March 2019 (Revised)