



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8047)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

(the “Committee”)

(Adopted by the Company pursuant to Board resolutions passed on 18 October 2001 and revised on 3 January 2006 and further revised on 23 March 2012)

1. Membership

- 1.1 Members of the Committee shall be appointed by the board of directors of the Company (the “Board”).
- 1.2 The Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Committee must be independent non-executive directors (“INEDs”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).
- 1.4 The company secretary or his/her nominee shall act as the Committee’s secretary. In the absence of the company secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Committee, shall attend the meeting of the Committee and take minutes.

2. Chairman

- 2.1 The chairman of the Committee shall be appointed by the Board and must be an INED.

* *for identification purpose only*

3. Frequency and proceedings of meetings

- 3.1 The Committee shall hold at least four regular meetings in a year to review and discuss the interim, quarterly and annual financial statements of the Company. Additional meetings may be held as and when required.
- 3.2 The Committee shall meet with the external auditor at least twice a year. The external auditor may request a meeting if they consider necessary.
- 3.3 The quorum for a meeting of the Committee shall be any two members.
- 3.4 Unless otherwise specified hereunder, the provisions contained in the Company's Bye-laws (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Committee.
- 3.5 Members of the Committee may attend meetings either in person or through other electronic means of communication or in such other manner as the members may agree.
- 3.6 Other directors, company secretary (or his/her delegate(s)), relevant senior management and person(s) invited by a Committee member and representative(s) of the external auditor shall normally attend meetings of the Committee.
- 3.7 A meeting of the Committee may be convened by any of its members or by the company secretary.
- 3.8 Unless otherwise agreed by all the members of the Committee, notice of at least 7 days shall be given for a regular meeting of the Committee. For all other meetings of the Committee, reasonable notice shall be given.
- 3.9 Agenda and accompanying supporting papers shall be sent to all members of the Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).
- 3.10 Draft and final versions of minutes of Committee meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- 3.11 Minutes of the Committee shall be kept by the company secretary and shall be available for inspection by any member of the Committee or the Board at any reasonable time on reasonable notice.
- 3.12 Without prejudice to any requirement under the GEM Listing Rules, written resolution may be passed and adopted by all members of the Committee.

4. Responsibilities and authorities

- 4.1 The responsibilities and authorities of the Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “CG Code”) as contained in Appendix 15 of the GEM Listing Rules (as amended from time to time).
- 4.2 Without prejudice to any requirement under the CG Code, the duties of the Committee include the following:

4.2.1 Relationship with the Company’s auditors

- (a) To act as the key representative body for overseeing the Company’s relations with the external auditor, and 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 to consider 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 accounting standards, and to 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.

4.2.2 Review of the Company’s financial information

- (d) To monitor integrity of the Company’s financial statements and the annual report and accounts, half-year report and 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:

- (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 GEM 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 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 auditors.

4.2.3 Oversight of the Company's financial reporting system and internal control procedures

- (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 investigation 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 group's financial and accounting policies and practices.
 - (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 set out herein.
 - (n) To consider other topics, as defined by the Board.
 - (o) 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, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 4.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company will arrange for the Corporate Governance Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
- 4.4 The Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice if necessary.
- 4.5 All members of the Committee shall have access to the advice and services of the company secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

5. Reporting responsibilities

- 5.1 The Committee shall report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

6. Annual general meeting

- 6.1 The chairman of the Committee or in his/her absence, another member of the Committee or failing this, his/her duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Committee's work and responsibilities.

Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.