



**UNION ASIA**  
**ENTERPRISE HOLDINGS LTD**  
**萬亞企業控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8173)

**TERMS OF REFERENCE**

**OF**

**THE AUDIT COMMITTEE**

**(the “Committee”)**

**(Adopted by the Company on 31 December 2015  
and revised on 31 December 2018)**

*(If there is any inconsistency between the English version and the Chinese version, the English version shall prevail.)*

## 1. Establishment

The Committee was established pursuant to a resolution passed by the board of directors of the Company (the “**Board**”) on 25 April 2002.

## 2. Members

- (a) Members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three (3) members. The majority shall be independent non-executive directors of the Company and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.
- (b) A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of its Committee for a period of 2 years from the date of his ceasing:
  - (i) to be a partner of the firm; or
  - (ii) to have any financial interest in the firm,whichever is the later.
- (c) The chairman of the Committee (the “**Chairman**”) shall be an independent non-executive director appointed by the Board.
- (d) The Secretary of the Committee (the “**Secretary**”) shall be the Company Secretary or otherwise any other person duly appointed by the Board.
- (e) The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.

## 3. Meeting Procedures

- (a) Unless otherwise agreed by the majority of the Committee members a meeting shall be called by at least seven (7) days notice. Any Committee member or the Secretary may at any time call for a Committee meeting. The Secretary or any member shall serve notice to each of the Committee members by any reasonable and effective means according to the latest correspondence particulars of the members as kept by the Company. Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which are required for the meeting purpose.
- (b) A quorum of the Committee meeting shall consist of at least two (2) members of the Committee.
- (c) The Committee shall meet at least four times per year. Additional meetings may be held if the work of the Committee demands or upon request of the external auditors.

- (d) The Committee shall meet with the external auditors without presence of the executive directors at least twice a year.

#### **4. Resolutions**

Resolutions may be passed by Committee members by show of hands in the meeting or by circulation in writing.

#### **5. Alternate Committee Members**

A Committee member shall not appoint any alternate.

#### **6. Authority of the Committee**

- (a) The Committee may investigate any activity within its terms of reference and to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the Committee.
- (b) The Committee may invite attendance to meeting of relevant director(s) and management members, the head of internal audit, if appropriate, and representatives of the external auditors.
- (c) The Committee shall have access to independent professional advice(s) if necessary at the cost of the Company in order to perform its duties.
- (d) The Committee shall be provided with sufficient resources to perform its duties.

#### **7. Duties of the Committee**

##### **Relationship with the Company's auditor**

- (a) to be primarily responsible for making recommendation(s) 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 external auditor the nature and scope of the external 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 any recommendations on any matters where action or improvement is needed;

## **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 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 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 other 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 external 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;

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

- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal systems;
- (g) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (h) 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;

- (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 issuer, 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 review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in the 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;
- (n) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) to report to the Board on the matters set out in the code provision in Appendix 15 of GEM listing rules; and
- (p) to consider other topics, as defined by the Board.

## **8. Reporting Procedures**

- (a) The Secretary shall circulate the minutes of meetings and all resolutions of the Committee to all members.
- (b) Board members will be given a copy of the minutes upon request.
- (c) The Chairman shall attend the annual general meeting of the Company to report matters discussed in the Committee meeting and to answer questions that may arise in the annual general meeting.

## **9. Continuing application of the Articles of Association of the Company**

The Articles of Association of the Company regulating the meetings and proceedings of the Director so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

## **10. Power of the Board**

The Board may, subject to compliance with the Articles of Association of the Company and the GEM Listing Rules (including the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules) amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.