



**UBA INVESTMENTS LIMITED**

**開明投資有限公司\***

*(incorporated in Cayman Islands with limited liability)*

(Stock code: 768)

**(the "Company")**

**REVISED TERMS OF REFERENCE**

**OF**

**AUDIT COMMITTEE**

**(the "Committee")**

*(The Chinese version is for reference only, the English version prevails.)*

**Membership and Secretary**

1. The Committee shall consist of at least three Independent Non-executive Directors appointed by the board of directors of the Company (the "Board") from time to time. At least one member of the Committee must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").
2. The Board shall nominate one member as the Chairman of the Committee. In the absence of the Chairman of the Committee, the remaining members present shall elect one of them to chair the meeting.
3. The Board may at any time remove, suspend or replace any member of the Committee at its option by resolution where upon the Committee should consist of the remaining or replaced members of the Committee.
4. The Company Secretary of the Company or a nominee shall act as the Secretary of the Committee.

**Frequency and proceedings of meetings**

5. The Committee should meet at least two times per year. Additional meetings should be held as the work of the Committee demands.

6. The Chairman of the Committee may convene additional meetings at his/her discretion.
7. The quorum of a meeting shall be two members of the Committee.
8. Members of the executive Board and other staff members who have specific responsibility for an area under review shall normally be invited to attend the Committee meetings. A representative of the external auditor shall be invited to attend the Committee meetings where appropriate.
9. Any members of the Committee or other attendees may participate in a meeting of the Committee by means of a conference telephone or similar communication equipment such that all persons participating in the meeting are capable of hearing each other.

#### **Authority**

10. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
11. The Committee shall report to the Board any suspected frauds and irregularities, failures of risk management and internal control systems or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
12. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
13. The Committee is to be provided with sufficient resources to discharge its duties.

#### **Annual General Meeting**

14. The Chairman of the Committee or a nominee of its members shall attend the Annual General Meeting of the Company and be prepared to respond to shareholders' questions on the activities of the Committee.

## **Responsibility and Duties**

15. The Committee is to serve as a focal point for communication between other Directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, risk management and internal control systems, external and internal audits and such other matters as the Board determines from time to time.
16. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems of the Company and its subsidiaries (the “group”), and as to the adequacy of the external and internal audits.
17. The duties of the Committee include:

### **Relationship with external auditor**

- (a) be responsible for making recommendation 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 resignation or dismissal of that auditor;
- (b) review with the group’s management, external auditor and internal auditor, the adequacy of the group’s policies and procedures regarding risk management and internal control systems (including financial, operational and compliance controls), risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;
- (c) Before audit commencement, review external auditor’s independence, objectivity, effectiveness of the audit process and the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;

### **Review of financial information of the Company**

- (d) Review the annual and interim financial reports prior to approval by the Board, with particular focus on:

- (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting and auditing standards; and
  - (vi) compliance with the listing requirements of The Stock Exchange of Hong Kong Limited and legal requirements;
- (e) With regard to (d) above:-
- (i) Members of the Committee must liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the external auditor; and
  - (ii) The Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor;

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

- (f) Liaise with the Board, senior management regarding the review on the Company's financial controls, risk management and internal control systems
- (g) Review the draft representation letter prior to approval by the Board;
- (h) Evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the group's needs; inquire of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the group's financial statements;

- (i) Seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- (j) Discuss with the external auditor any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;
- (k) Ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;
- (l) Review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the group;
- (m) The engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required;
- (n) Discuss with management the scope and quality of risk management and internal control systems and ensure that management has discharged its duty to have effective risk management and internal control systems including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget;
- (o) Apprise the Board of significant developments in the course of performing the above duties;
- (p) Recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (q) Review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of risk management and internal control systems or infringements of laws, rules and regulations;

- (r) Approve the policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit;
- (s) Review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, risk management and internal control systems or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action;
- (t) Report to the Board on above matters; and
- (u) Consider other topics, as requested by the Board.

### **Reporting Procedures**

18. The Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee.

### **Availability and update of the terms of reference**

19. These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. Listing Rules) in Hong Kong. These terms of reference shall be made available to the public through the Company's website.

Adopted in July 2005 and revised in March 2012 and March 2016