



**UNIVERSE INTERNATIONAL HOLDINGS LIMITED**  
**(the “Company”)**  
**TERMS OF REFERENCE**  
**OF THE AUDIT COMMITTEE**

(Amended by the Board of Directors on 29th February 2012)

**A. CONSTITUTION**

1. The Audit Committee (the “Committee”) was established by the board of the directors of the Company (the “Director(s)”) (the “Board”) on 11th October 1999.

**B. MEMBERSHIP AND QUORUM**

1. The Committee shall be appointed by the Board from amongst the non-executive Directors and independent non-executive Directors. The majority of the Committee members must be independent non-executive Directors and consist of a minimum of three members, and at least one of the independent non-executive Directors shall be with appropriate professional qualifications or accounting or related financial management expertise as required in Chapter 3 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Exchange”)(the “Listing Rules”).
2. A former partner of the Company's existing auditing firm shall be prohibited from acting as the Committee member for a period of one (1) year from the date of his ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.
3. A quorum shall be two Committee members. If only two Committee members are in attendance, then both Committee members shall be independent non-executive Directors. If more than two Committee members are in attendance, then a majority of the Committee members shall be independent non-executive Directors.
4. Questions arising in any meetings shall be decided by a simple majority of votes.

**C. CHAIRMAN**

1. The Board shall appoint the chairman of the Committee (the “Chairman”). The Chairman must be an independent non-executive Director. The Chairman has the responsibility of liaising with the Board and senior management.

2. In the absence of the Chairman, the remaining Committee members present shall elect one of themselves from amongst the independent non-executive Directors to chair the meetings of the Committee.

#### **D. MEETINGS**

1. the Committee must meet, at least twice a year, with the Company's external auditor (the "**External Auditor**").
2. The Committee shall meet at such times as the Chairman shall require.
3. Any Committee member may convene a meeting of the Committee and invite any representative of the External Auditor to attend the same in the absence of any executive Director or any member of the management of the Company. The External Auditor may make the request to the Chairman to convene a meeting of the Committee and the Chairman shall have the discretion whether or not to convene such a meeting and decide on the date, time and venue of such meeting.
4. Meetings could be held in person, by telephone or by video conference. Committee members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in they are capable of hearing each other.
5. The chairman of the Board shall be in attendance with other senior management, if deemed appropriate and invited by the Committee.
6. A resolution in writing signed by all the Committee members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
7. The company secretary of the Company (the "**Company Secretary**") shall act as the secretary of the Committee. The Committee may from time to time, appoint any other person with appropriate qualification and experience to act as the secretary of the Committee.

#### **E. ATTENDANCE AT MEETINGS**

1. The External Auditor, other Board members, senior management of the Company or any other person may be invited by the Committee to attend all or part of any meetings.
2. The External Auditor shall meet with the Committee without the presence of any of the Board members if so required by the Committee.

#### **F. NOTICE OF MEETINGS**

1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of the Committee members, the External Auditor or the Company's internal auditor (the "**Internal Auditor**").

2. Notice of any meetings has to be given to all Committee members at least fourteen (14) days prior to any such meeting being held, unless all Committee members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Committee member shall be deemed waiver of the requisite length of notice by the Committee member.
3. An agenda of items to be discussed, together with supporting papers shall be sent to the Committee members and to other attendees as appropriate within a reasonable period of time prior to the date of the meeting.
4. Any Committee member shall be entitled, by notice to the secretary of the Committee, to include other matters relevant to the functions of the Committee in the agenda of the meeting.

**G. MINUTES OF MEETINGS**

1. The secretary of the Committee (or his/her delegate) in attendance at the meetings of Committee shall prepare minutes in sufficient detail of the proceedings and resolutions of all such meetings, including the names of those present and in attendance. The minutes should also include any concerns raised by any Committee member and/or dissenting views expressed.
2. The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant Committee member shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Committee in which he/she and/or his/her associates have a material interest.
3. Draft and final versions of minutes of the Committee meetings shall be sent to all Committee members for their comments and records respectively within a reasonable time after the meeting.
4. Full minutes of the Committee meetings shall be kept by the secretary of the Committee and shall be available for inspection by any Committee member and/or any Director at any reasonable time on reasonable notice.

**H. ANNUAL GENERAL MEETINGS**

1. The Chairman shall endeavour to attend the annual general meetings of the Company and be prepared to respond to any shareholder questions on the Committee's activities.
2. If the Chairman is unable to attend an annual general meeting of the Company, he shall arrange for another Committee member, or failing this, his/her duly appointed delegate, to attend in his/her place. Such person shall be prepared to respond to any shareholder questions on the Committee's activities.

**I. REPORTING RESPONSIBILITIES**

1. After each meeting, the Chairman shall report formally to the Board on all matters within its duties and responsibilities.

2. The Committee shall make whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.
3. Where the Board disagrees with the Committee's views on the selection, appointment and resignation or dismissal of the External Auditor, the Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendations. The Board shall include in the same report the reason(s) why the Board has taken a different view.
4. The Committee shall, with the assistance of the Company Secretary, compile a report to shareholders on its role and activities which will be included in the Company's Corporate Governance Report.

**J. LINE OF COMMUNICATION**

1. The Chairman shall give instructions (through the chairman of the Board or the Chief Financial Officer) to conduct reviews on areas of possible concern to be performed by the internal audit services of the External Auditor or, if established, the Internal Auditor.

**K. AUTHORITY**

1. The Committee is authorized by the Board:
  - (a) to investigate any activity within the terms of reference set out herein; and
  - (b) to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

**L. DUTIES**

1. The Committee shall have the following duties:

*Relationship with the External Auditors*

- (a) 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;
- (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 shall discuss with the External Auditor, the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved;
- (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 of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of the Company's financial information*

- (d) to monitor the 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 judgements 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 judgemental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) 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;
- (e) Regarding to L.1(d) above, (i) the Committee members should 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 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 and internal control procedures*

- (f) to review the Company's financial controls, internal control and risk management system;
- (g) to discuss with 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 investigations 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 Auditor and the External Auditor, 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 External Auditor to management about the 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 and matters required to be performed by the Committee under the Code of Corporate Governance Practices of the Listing Rules and its revisions implemented from time to time;
- (n) to review arrangements the 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;
- (o) to act as the key representative body for overseeing the Company's relations with the External Auditor;
- (p) to consider other topics, as defined by the Board; and
- (q) to make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Exchange's website and the Company's website.

**M. OTHERS**

1. The Committee shall have access to sufficient resources in order to perform its duties. In the event that the Committee determines that it has insufficient resources, it may make a request for additional resources to the Board through the Company Secretary.
2. All members of the Committee shall have access to the advice and services of the secretary of the Committee with a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed.
3. The Committee should have access to outside legal or other independent professional advice in connection with its duties at the Company's expense if necessary.
4. Every member of the Committee shall give sufficient time and attention to his/her duties as a member of the Committee. He/she shall give the Company the benefit of his skills and expertise through regular attendance and active participation.

**- END -**

***In the event of discrepancies between the Chinese and the English versions, the English version shall prevail.***