



NEW UNIVERSE INTERNATIONAL GROUP LIMITED

新宇國際實業（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8068)

Terms of Reference of the Audit Committee

**(adopted on 30th May 2000, and
amended on 19th March 2012)**

Constitution

1. The board of directors (the “Board”) of New Universe International Group Limited (the “Company”) established a committee known as the Audit Committee to consider formal and transparent arrangements to apply financial reporting and internal control principles and maintain an appropriate relationship with the Company’s auditors. The terms of reference of the Audit Committee (the “Terms of Reference”) are set out as follows.

Membership

2. The Audit Committee members shall be appointed by the Board from amongst the non-executive directors of the Company and shall comprise at least three members, a majority of whom shall be independent non-executive directors of the Company. At least one of the members of the Audit Committee shall be an independent non-executive director of the Company with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). A quorum shall be any two members of the Audit Committee.
3. If a regular member is unable to act due to absence, illness or any other cause, the chairman of the Audit Committee may appoint another director of the Company to serve as an alternate member having due regard to maintaining the required balance of executive and independent non-executive members.

The Chairman

4. The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive director of the Company. The chairman of the Audit Committee should chair the meetings of the Audit Committee.
5. The chairman of the Audit Committee shall attend the annual general meeting of the Company so as to be available to address questions from shareholders regarding the activities and approach of the Audit Committee.

The Secretary

6. The Company's company secretary shall be the secretary of the Audit Committee. The secretary of the Audit Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Audit Committee.

Attendance at meetings

7. Attendees shall normally include Audit Committee members, the financial controller of the Company, the person in charge of internal audit of the Company (as when an internal audit function exists), a representative of the external auditors and those others with meaningful input to the Audit Committee's activities. At least twice a year the Audit Committee shall meet with the external and internal auditors (if any) without executive Board members present.

Frequency of meetings

8. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.
9. Formal meetings of the Audit Committee may be held in person, by telephone or through other electronic means of communication that permit all participants to communicate with each other simultaneously, and the quorum in meetings held by means of telecommunication shall be any two participated Audit Committee members.

Duties of the Audit Committee

10. The duties of the Audit Committee shall be:
 - (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 Audit Committee should discuss with the 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 all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body for overseeing the Company’s relations with the external auditor;
- (e) to monitor integrity of the Company’s financial statements and annual report and accounts, quarterly reports, and half-year reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit or independent review;
 - (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;
- (f) Regarding (e) above:-
 - (i) members of the Audit Committee should liaise with the Board and senior management and the person appointed as the Company’s qualified accountant and the Audit Committee must meet, at least twice a year, with the Company’s auditor; and
 - (ii) the Audit 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 qualified accountant, compliance officer or auditors;
- (g) to review the Company’s financial controls, internal control and risk management systems;

- (h) 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;
- (i) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative, and to consider any management's response to these findings accordingly;
- (j) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (k) to review the external auditor's management letter (if any), any material queries raised by the auditor to management about accounting records, financial accounts or systems of controls, and to consider any management's response accordingly;
- (l) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (m) where an internal audit function exists or external professionals engaged to review any internal audit system of the Company, to review the relevant internal audit programme, to ensure co-ordination between the internal reviews and external audits, 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;
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter (if any);
- (o) to report to the Board on the matters set out in provision of terms of reference of the Audit Committee;
- (p) to review the group's financial and accounting policies and practices;
- (q) 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, to which the Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (r) to consider other topics, as defined by the Board.

Authority

11. The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee of the Company and all employees are directed to co-operate with any request or enquiry made by the Audit Committee.
12. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
13. The Audit Committee shall be provided with sufficient resources by the Company to perform its duties in accordance with its Terms of Reference.

Reporting procedures

14. The secretary or his representative shall circulate the minutes of meetings and reports of the Audit Committee to all members of the Board.

Publication of the Terms of Reference

15. The Terms of Reference will be posted on the websites of GEM and the Company. It is available for inspection by the shareholders of the Company during normal business hours at the Company's principal place of business. A copy of the Terms of Reference will be made available to any person without charge upon request.
16. The following information about the Terms of Reference of the Audit Committee will be disclosed in the corporate governance report included in the annual report of the Company:
 - (a) the role and function of the Audit Committee;
 - (b) the composition of the Audit Committee and whether it comprises independent non-executive Directors, non-executive Directors and executive Directors (including their names and identifying the chairman of the Audit Committee);
 - (c) the number of meetings held by the Audit Committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and
 - (d) a summary of the work during the year, including a report on how it met its responsibilities in its review of the quarterly, interim and annual results and internal control system, and its other duties under the Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules and details of non-compliance with Rule 5.28 of the GEM Listing Rules (if any) and an explanation of the remedial steps taken by the Company to address non-compliance with establishment of an Audit Committee.

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