

**Uni-President China Holdings Ltd.**

**統一企業中國控股有限公司**

**Terms of reference of  
the Audit Committee  
of the Board of the Company**

Adopted by the Board on 23 November 2007

First Revised on 27 March 2012

Second Revised on 11 December 2015

Third Revised on 14 December 2018

## DEFINITIONS

In these terms of reference, unless the context otherwise requires, the following terms have the meaning set out below:

<b>"Articles of Association"</b>	means the Articles of Association of the Company, as may be amended from time to time;
<b>"Board"</b>	means the Board of Directors of the Company;
<b>"Committee"</b>	means the Audit Committee of the Board of the Company;
<b>"Company"</b>	means Uni-President China Holdings Ltd. (統一企業中國控股有限公司);
<b>"Director(s)"</b>	means the director(s) of the Company;
<b>"Exchange"</b>	means The Stock Exchange of Hong Kong Limited;
<b>"Group"</b>	the Company and its subsidiaries from time to time;
<b>"Independent Non-executive Director(s)"</b>	means the independent non-executive Director(s);
<b>"Listing Rules"</b>	means the Rules Governing the Listing of Securities on the Exchange; and
<b>"senior management"</b>	means the category of persons considered as senior management under the Listing Rules.

## **Purpose of the Committee**

The purpose of the Committee is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Company and its subsidiaries, including, without limitation, assisting the Board's oversight of (a) the integrity of the Company's financial statements, (b) the Company's compliance with legal and regulatory requirements, (c) the Company's independent auditors' qualifications and independence, and (d) the performance of the Company's independent auditors and the Company's internal audit function.

## **Composition**

- 1** The Committee shall comprise non-executive Directors (including Independent Non-executive Directors) only. The Committee shall comprise a minimum of three members and a majority of whom shall be Independent Non-executive Directors and consist of at least one Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
- 2** A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years commencing from the date of the person ceasing:
  - 2.1** to be a partner of the firm; or
  - 2.2** to have any financial interest in the firm,whichever is later.
- 3** The chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director.
- 4** The appointment of any member of the Committee may be revoked, or additional members may be appointed to the Committee by resolutions of the Board. An appointment of a member of the Committee shall be automatically revoked if such member ceases to be a member of the Board.
- 5** The secretary of the Committee shall be the Company's secretary or any person designated as such by the Committee from time to time.

## **Disclosure of interests and Voting**

- 6** Each member of the Committee shall disclose to the Committee any personal financial interest in, and any potential conflict of interest arising from, any matter to be decided by the Committee. A member of the Committee shall abstain from voting on any resolution(s) of the Committee in which he or any of his associates (as defined in the Listing Rules) has a material interest and shall not be counted towards the quorum of such a meeting at which such resolution(s) is/are considered by the Committee, unless any exceptions set out in the Articles of Association apply.

## **Proceedings**

- 7** Unless otherwise agreed by all the members of the Committee (either orally or in writing), a meeting shall be called by at least seven days' notice. Irrespective of the length of notice being given, attendance of a member of the Committee at a meeting constitutes a waiver of such notice unless the member of the Committee attending the meeting attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the meeting has not been properly convened.
- 8** Notice of meeting shall be given to each member of the Committee, and to any other person invited to attend, in person orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address last notified to the secretary of the Committee by such member of the Committee or in such other manner as the members of the Committee may from time to time determine. Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- 9** Notice of meeting shall state the purpose, time and venue of the meeting.
- 10** The quorum for meetings of the Committee shall be not less than any two of its members, present in person or by means of a telephone conference or other communications equipment by means of which all persons participating in the meeting can hear each other.
- 11** A member of the Committee may and, on the request of a member of the Company, the secretary to the Committee shall, at any time convene a meeting of the Committee, but in any event meetings of the Committee are to be held not less than twice every year or at such frequency as required under the Listing Rules or other regulatory requirements applicable to the Company from time to time. The meetings must be chaired by an Independent Non-executive Director.
- 12** The Committee shall meet separately on a periodic basis with (i) the management, (ii) the head of the Company's internal audit department (or any officer(s) assuming the relevant functions but having a different designation) and/or other person(s) responsible for accounting, financial reporting and internal audit functions and (iii) representative(s) of the Company's external auditors, in each case to discuss any matters that the Committee or any of the above persons or firms believe should be brought to the Committee's attention. Other members of the Board shall also have the right of attendance. The Company's external auditors may also request a meeting of the Committee to be convened if it considers that is necessary.
- 13** The Chief Financial Officer and the Controller (if applicable) of the Company, and a representative of the external auditors of the Company shall normally attend meetings of the Committee. However, at least once a year the Committee shall meet with the Company's external and internal auditors without the executive Directors present.

## **Authorities and Duties**

- 14** The Committee is authorised by the Board:

- 14.1** to seek any information it requires from any employee of the Company and/or its subsidiaries and all such employees are directed to co-operate with any request made by the Committee;
  - 14.2** to investigate any matters within these terms of reference and all suspected fraudulent acts involving the Group and request the management to make investigation and submit reports;
  - 14.3** where necessary, to obtain legal or other independent professional advice at the cost of the Company;
  - 14.4** to secure the attendance of any person with relevant experience and expertise at Committee meetings as it considers appropriate;
  - 14.5** to request the Board to take all necessary actions, including convening an extraordinary general meeting to replace and dismiss the auditors of the Group;
  - 14.6** where there is any disagreement between the Committee and the Board on the selection, appointment, resignation or dismissal of the Company's external auditors which cannot be resolved, to report its own recommendation on such matters to the shareholders of the Company;
  - 14.7** to be provided with and to have access to sufficient resources to perform its duties.
- 15** The duties of the Committee are:
- 15.1** to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
  - 15.2** to be directly responsible for the oversight of the work of the external auditors, and the auditors shall report directly to the Committee;
  - 15.3** act as the key representative body for overseeing the Company's relation with the external auditors;
  - 15.4** to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
  - 15.5** to discuss with the auditors the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences;
  - 15.6** to develop and implement policy on the engagement of 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 shall report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

- 15.7** to review and discuss with the external auditors their annual audit plan, including the timing and scope of audit activities, and monitor such plan's progress and results during the year;
- 15.8** to resolve any and all disagreements between the Company's external auditors and management regarding financial reporting;
- 15.9** to review with management, the Company's external auditors, and, if appropriate, the head of the Company's internal audit department (or any officer(s) assuming the relevant functions but having a different designation), and monitor the integrity of the financial statements of the Company and the Company's 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 on:-
- 15.9.1** all critical accounting policies and practices including any changes;
  - 15.9.2** major judgmental areas;
  - 15.9.3** significant adjustments resulting from audit;
  - 15.9.4** all alternative treatments of financial information that have been discussed by the external auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors;
  - 15.9.5** all other material written communications between the external auditors and management, such as any management letter and any schedule of unadjusted differences;
  - 15.9.6** the going concern assumptions and any qualifications;
  - 15.9.7** compliance with accounting standards;
  - 15.9.8** compliance with the Listing Rules and legal or regulatory requirements in relation to financial reporting;
  - 15.9.9** the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
  - 15.9.10** whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;
  - 15.9.11** any significant or unusual items that are, or may need to be, reflected in such reports and accounts; and
  - 15.9.12** the cashflow position of the Group,
- and to provide advices and comments thereon to the Board.
- 15.10** In regard to 15.9 above:-
- 15.10.1** members of the Committee shall liaise with the Board, the Company's senior management and the person appointed as the Company's qualified

accountant and the Committee shall meet, at least twice a year, with the Company's external auditor; and

- 15.10.2** the Committee shall consider any significant or unusual items that are or may need to be reflected in such reports and accounts and shall give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer, auditors and staff responsible for the accounting and financial reporting function;
- 15.11** to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- 15.12** 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 internal control and risk management systems and its procedures and other material financial matters;
- 15.13** to review the performance of the Group's employees in the accounting and internal audit department and evaluate the management's performance generally;
- 15.14** to evaluate and make recommendations to the Board for the improvement of the Group's risk management and internal procedures and systems;
- 15.15** to discuss the risk management and internal control systems with the management, to ensure that the management has performed its duty to have effective systems. The discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 15.16** 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;
- 15.17** to ensure coordination 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;
- 15.18** to review the Company's and its subsidiaries' financial and accounting policies and practices and to supervise the status of the Company's financial operations and core businesses;
- 15.19** 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;
- 15.20** to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 15.21** to review with the President, Chief Financial Officer, the Controller and external auditors, periodically, the following:
  - 15.21.1** all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarise and report financial information; and

- 15.21.2 any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting;
- 15.22 to receive, review and act upon any report regarding evidence of any material violation of securities law or breach of fiduciary duty or similar violation by the Company or any agents thereof, if such a report is submitted to the Committee by an attorney or otherwise;
- 15.23 to approve and adjust procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- 15.24 to conduct exit interviews with any Director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;
- 15.25 to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual report;
- 15.26 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. 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
- 15.27 to recommend the establishment of a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company;
- 15.28 to report to the Board on the matters set out above and consider all other matters as referred to the Committee by the Board.

## **Miscellaneous**

- 16 The Committee shall secure independent expert advice to the extent the Committee determines it to be appropriate, including retaining, with or without Board approval, independent counsel, accountants, consultants or others, to assist the Committee in fulfilling its duties and responsibilities, the cost of such independent expert advisors to be borne by the Company.
- 17 The Committee shall make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of the Company and on the website of the Exchange.
- 18 The Committee shall perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.



- 19 The Committee shall provide such information to the Board as is necessary to assist the Board in reporting to the shareholders each year on audit issues in accordance with the Listing Rules or other regulatory requirements applicable to the Company.
- 20 The chairman of the Committee or in his absence, another member of the Committee, shall attend the Company's annual general meeting to answer shareholders' questions on the activities and responsibilities of the Committee, and the Company's management shall ensure that the external auditor attend the Company's annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report the accounting policies and auditor independence.
- 21 The secretary of the Committee shall, at the beginning of each meeting, ascertain and record the existence of any conflicts of interest and minute them accordingly. Full minutes of meetings of the Committee shall be kept by the secretary of the Committee and such minutes shall be open for inspection at any reasonable time on reasonable notice by any Director. The secretary to any meeting of the Committee shall circulate the minutes of the meeting of the Committee for which he or she has acted as secretary in both draft and final form to all members of the Committee within a reasonable time after such meeting is held.
- 22 The Committee shall report back to the Board on all of their decisions or recommendations.

#### **Evaluation of the Committee**

- 23 The Committee shall, on an annual basis, evaluate its performance. The evaluation shall address all matters that the Committee considers relevant to its performance, including a review and assessment of the adequacy of these terms of reference, and shall be conducted in such manner as the Committee deems appropriate.

#### **Investigation and Studies; Outside Advisers**

- 24 The Committee may conduct or authorise investigations into or studies of matters within the Committee's scope of responsibilities or commission reports or surveys as are necessary to assist in the performance of its duties, and may retain, at the Company's expense, such independent counsel or other consultants or advisers as it deems necessary.

#### **Continuation application of the Articles of Association**

- 25 The Articles of Association regulating the meetings and proceedings of the Directors 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.

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Nothing contained in these terms of reference is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under applicable laws and the Listing Rules.