



## NATIONAL UNITED RESOURCES HOLDINGS LIMITED

國家聯合資源控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 254)**

(the “Company”)

### **Terms of Reference of Audit Committee**

(Revised and adopted by the Board on 30 March 2012,

and further revised by the Board on 31 December 2015 and 17 April 2019)

## **1. CONSTITUTION**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company has established a committee known as the audit committee (the “**Committee**”).

## **2. MEMBERSHIP**

2.1 The members of the Committee (the “**Members**” and each a “**Member**”) shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three Members, a majority of whom should be independent non-executive Directors. At least one Member shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise (the “**Professional Member**”) as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). A quorum shall be two Members and one of them shall be a Professional Member.

2.2 A former partner of the Company’s existing auditing firm is prohibited from acting as a Member of the Committee for a period of two years from the date of the person ceasing:

a) to be a partner of the firm; or

b) to have any financial interest in the firm;

whichever is later.

2.3 The chairperson of the Committee shall be appointed by the Board and should be an independent non-executive Director. In his absence, the Members shall elect amongst themselves such independent non-executive Director member to chair a Committee meeting.

### **3. ATTENDANCE AT MEETING**

- 3.1 The chief financial officer and representatives of the external auditors of the Company shall normally attend meetings of the Committee. However, at least twice a year the Committee shall meet with the external auditors of the Company without the presence of the executive Directors.
- 3.2 The chief financial officer or the company secretary of the Company or such other person appointed by the chairperson of the Committee shall be the secretary of the Committee (the “**Committee Secretary**”).

### **4. FREQUENCY AND CONDUCT OF MEETINGS**

- 4.1 Meetings shall be held not less than twice a year and held by attending in person, telephone or video conference. Members could attend the meetings through telephone conference or similar arrangements which Members could communicate to each other. The external auditors may request a meeting if they consider that one is necessary.
- 4.2 An agenda and accompanying papers should be sent in full to all Members of the Committee in a timely manner and at least three business days before the intended date of a meeting of the Committee (or such other period as agreed by the Members).

### **5. AUTHORITY**

- 5.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 5.2 The Committee is authorized by the Board to obtain external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Committee shall be provided with sufficient resources to discharge its duties.

### **6. DUTIES**

The duties of the Committee shall include:

- 6.1 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;

- 6.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 6.3 to discuss with the external auditor before the audit process commences, the nature and scope of the audit and reporting obligations, and ensure coordination where more than one auditor is involved;
- 6.4 to develop and implement policy on engaging an external auditor to supply non audit services (for which 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) and report to the Board on such policy, identifying and making recommendations on any matters where action or improvement is needed;
- 6.5 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 judgments contained in them;
- 6.6 in reviewing these reports before submission to the Board, to focus particularly on:
  - 6.6.1 any changes in accounting policies and practices;
  - 6.6.2 major judgmental areas;
  - 6.6.3 significant adjustments resulting from the audit;
  - 6.6.4 the going concern assumptions and any qualifications;
  - 6.6.5 compliance with accounting standards; and
  - 6.6.6 compliance with the Listing Rules and legal requirements in relation to financial reporting,

And in respect of the aforementioned in this Clause, to

- 6.6.7 liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

- 6.6.8 consider any significant or unusual items that are, or may need to be, reflected in the reports 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;
- 6.7 to act as the key representative body overseeing the Company's relationship with the external auditor; and discuss problems and reservations arising from the interim and the final financial statements, and any other matters the external auditor may wish to discuss (in the absence of management where necessary);
- 6.8 to review the external auditor's management letter (if any), any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- 6.9 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter (if any);
- 6.10 to review the Company's financial controls, risk management and internal control systems;
- 6.11 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function;
- 6.12 to review the Company's statement on the risk management and internal control systems to be included in the annual report prior to endorsement by the Board;
- 6.13 to consider major investigations 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;
- 6.14 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 Company, and to review and monitor its effectiveness;
- 6.15 to review the Group's financial and accounting policies and practices;
- 6.16 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 and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

6.17 to report to the Board on the matters set out in Appendix 14 to the Listing Rules;  
and

6.18 to consider other topics, as defined or instructed by the Board.

## **7. MINUTES**

7.1 The Committee Secretary shall record minutes of all duly constituted meetings of the Committee.

7.2 All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made and any concerns raised by any Member, the external auditor and the Company's chief financial officer.

7.3 The Committee Secretary shall circulate the draft and final versions of the minutes of meetings to all Members of the Committee for comments and records within a reasonable time after each meeting.

7.4 The chairperson of the Committee shall report at the forthcoming regular board meeting any key decisions made by the Committee and shall table before the Board the list of issues discussed.

## **8. TERMS AVAILABLE**

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 websites of The Stock Exchange of Hong Kong Limited and of the Company.

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