UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED
環球實業科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1026)

Terms of reference for the Audit Committee of the board of directors of Universal Technologies Holdings Limited (the "Company") adopted pursuant to a resolution of the board of directors on 29 March 2012

Constitution

1. At a meeting held on 12 October 2001, the board of directors of the Company (the "**Board**") resolved to establish a Committee of the Board to be known as the Audit Committee (the "**Committee**").

Membership

2. The Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company and shall consist of not less than three members. A quorum for meeting shall be two members.

3. A former partner of the existing auditing firm of the Company should be prohibited from acting as a member of the Committee for a period of one 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 the later.

4. The Chairman of the Committee shall be appointed by the Board.

Attendance at meetings and Secretary

5. The chief financial officer, the head of internal audit (where an internal audit function exists and an appointment is made to that position), and a representative of the external auditor shall normally attend meetings.

6. The company secretary shall be the secretary of the Committee.

Frequency of meetings

7. Meetings shall be held not less than twice a year. The external auditor may also request additional meetings as they deem necessary.

Authority

8. The 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 and all employees are directed to co-operate with any request made by the Committee.

9. The Committee is authorised by the Board to obtain, as the Committee deems appropriate, outside legal or other independent professional advice and to secure the attendance of other persons with relevant experience and expertise, at the expense of the Company. The Company will provide sufficient resources for the Committee's performance of its duties including the reasonable fees of legal and other independent professional advisors.

Duties

10. The duties of the Committee shall be:

Relationship with the external auditor

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any question of resignation or dismissal of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to oversee the work of external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting). The Committee should establish with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information

(d) to monitor the integrity of financial statements of the Company and the Company's annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these Company's reports and accounts before submission to the Board, the Committee should focus particularly on:

(i) changes in accounting policies and practices;
(ii) major judgmental areas;
(iii) significant adjustments resulting from audit;
(iv) going concern assumptions and any qualifications;
(v) compliance with accounting standards; and

(vi) compliance with listing rules of stock exchange(s) and other applicable legal and regulatory requirements and guidance in relation to financial reporting;

(e) In regard to (d) above:

(i) members of the Committee should liaise with the Board and senior management;
(ii) the Committee must meet at least twice a year with the external auditor; and
(iii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and 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 (if any) or auditor;

Oversight of financial reporting system and internal control procedures

(f) to establish (i) procedures for the receipt, retention and treatment of complaints regarding financial reporting, accounting, internal controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable financial reporting, accounting, internal controls or auditing matters; and (ii) arrangements for fair and independent investigation of these matters and for fair and appropriate follow up action; and to review these procedures and arrangements;

(g) to review the Company's financial controls, internal control and risk management systems;

(h) to discuss internal control system with management to ensure that management has performed its duty to establish and maintain an effective internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(i) to discuss policies with respect to risk assessment and risk management;

(j) to consider major investigation findings on internal control matters as delegated by the Board, or on the Committee's own initiative, and to review management's response to these findings;

(k) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(l) where an internal audit function exists, to meet separately, periodically, with management, to meet (in the absence of management) with internal auditor (or other personnel responsible for the internal audit function) and with external auditor, if appropriate;

(m) to review the group's financial and accounting policies and practices;

(n) to review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control, and management's response;

(o) to review with the external auditor any audit problems or difficulties and management's response;

(p) to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;

(q) to act as the key representative body for overseeing the Company's relations with the external auditor;

(r) to report to the Board on the matters set out in the code provisions of Rule C.3 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(s) to set clear hiring policies for employees or former employees of the external auditors;

(t) to report regularly to the Board of the result of their review of the financial reporting system and internal control procedures and recommendations (if any) thereon;

(u) to consider other topics, as determined from time to time by the Board; and

(v) to report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

Reporting procedures

11. The secretary of the Committee shall circulate the draft and final versions of minutes of the Committee meetings to all members of the Committee for comment and approval and circulate reports of the Committee to all members of the Board.

12. The secretary of the Committee shall maintain as part of the Company's corporate records all approved minutes and reports of the Committee.

Attendance of annual general meeting

13. The Committee Chairman should, as far as practicable, attend the annual general meeting and make himself available to respond to any shareholders' questions on the Committee's activities.