



WINOX

WINOX HOLDINGS LIMITED

盈利時控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6838)**

**(the “Company”)**

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**TERMS OF REFERENCE  
OF  
THE AUDIT COMMITTEE  
(the “Committee”)**

*(Adopted pursuant to the board meeting of the Company held on 25 June 2011)*

*(1<sup>st</sup> revision on 30 March 2012)*

*(2<sup>nd</sup> revision on 7 December 2015)*

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**Membership**

1. The Committee shall be appointed by the board of directors of the Company (the “**Board**”) from amongst the non-executive directors of the Company and shall consist of not less than three members, at least one of whom shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
2. The majority of the members of the Committee shall be independent non-executive directors of the Company.
3. The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.
4. The term of membership will be one year from the date of appointment subject to renewal and shall be governed by the provisions of the Articles of Association of the Company (as amended from time to time) (the “**Articles**”).
5. The appointment of the members of the Committee may be revoked and new members can be appointed in their stead by resolutions passed by the Board.
6. No alternate member of any member of the Committee can be appointed.
7. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Company's audit committee for a period of one year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

### **Attendance at meetings**

8. The Financial Controller of the Company and its subsidiaries (the “**Group**”) (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company shall normally attend meetings of the Committee. Other members of Board may be invited to attend a particular meeting in order to answer specific points or concerns of the Committee. Where an internal audit function exists, the head of internal audit should normally attend meetings. At least once a year the Committee shall meet with the external and internal auditors (if any) in the absence of any executive directors of the Company.
9. The Company Secretary of the Company shall be the secretary of the Committee.

### **Frequency and proceedings of meetings**

10. Meetings shall be held not less than twice a year. Additional meetings should be held as and when the work of the Committee demands.
11. The Chairman of the Committee may convene additional meetings at his discretion.
12. The external auditors may request a meeting with the Committee if they consider it necessary.
13. The quorum of a meeting shall be two independent non-executive directors.
14. Proceedings of meetings of the Committee shall be governed by the relevant provisions of the Articles.

### **Authority**

15. The Committee is granted the authority to investigate any activity within these terms of reference and to direct all employees to cooperate as requested by members of the Committee.
16. The Committee is authorised by the Board to obtain external legal or other independent professional advice if required by the Committee and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.
17. The Committee shall report to the Board on any suspected fraud and irregularities, failures of internal control or suspected breaches of laws, rules and regulations which come to its attention in relation to the matters set out in these terms of reference and which are of sufficient importance to warrant the attention of the Board.
18. The Committee is to be provided with sufficient resources to discharge its duties.

## **Responsibility**

19. The Committee acts as the key representative body for overseeing the Company's relations with the external auditor. It is to serve as a focal point for communication between other directors, the external auditors and the internal auditors (where an internal audit function exists) of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.
20. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, overseeing the audit process, reviewing the completeness, accuracy, clarity and fairness of the Company's financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions and performing other duties and responsibilities as may be assigned by the Board from time to time.

## **Duties, powers and functions**

21. The Committee is to:
  - (a) 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) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit process commences;
  - (c) 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;
  - (d) monitor 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 should focus particularly on:-
    - (i) any changes in accounting policies and practices;
    - (ii) major judgmental areas;

- (iii) significant adjustments resulting from audit;
  - (iv) the 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 (d) above:-
- (i) members of the Committee should liaise with the Board and senior management and must meet, at least twice a year, with the Company's auditors; 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;
- (f) 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 risk management and internal control systems;
- (g) 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 and financial reporting function;
- (h) 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;
- (i) 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;
- (j) review the Group's financial and accounting policies and practices;
- (k) review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (m) be familiar, through the individual efforts of its members, with the financial reporting principles and practices applied by the Group in preparing its financial statements;

- (n) review annually the external auditors' fees which have been negotiated with management of the Company;
- (o) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) review the extent of any non-audit services provided by the external auditors and consider whether the provision of such services will impair their independence or objectivity;
- (q) when the external auditors supply a substantial volume of non-audit services to the Group, keep the nature and extent of such services under review, and seek to balance the maintenance of objectivity and independence of the external auditors in relation to the provision of non-audit services and value for money; the Committee may consider the following:
  - (i) whether the skills and experience of the external auditors make it a suitable supplier of non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditors provides non-audit services;
  - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and total relative to the external auditors; and
  - (iv) criteria for compensation of the individuals performing the audit;
- (r) review and consider the budget or revised budget of the Company prepared by the Board;
- (s) evaluate the level of cooperation provided by the Company to the external auditors, including their access to all requested records, data and information; obtain comments from management of the Company regarding the responsiveness of the external auditors to the Group's needs; make enquiries with the external auditors as to whether there has been any disagreements with management of the Company which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (t) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (u) meet with the external auditors of the Company, at least annually, in the absence of the management of the Company, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise;

- (v) where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, ensure that the Company includes in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reasons why the Board has taken a different view;
- (w) make available these terms of reference, explaining its role and the authority delegated to it by the Board;
- (x) report to the Board on the matters set out in this terms of reference; and
- (y) consider other topics, as defined or assigned by the Board from time to time.

### **Reporting Procedures**

22. The Committee should report to the Board on a regular basis on its decisions or recommendations and on the matters set out in these terms of reference.
23. Full minutes of the meetings of the Committee shall be kept by the secretary of the Committee, who shall send draft and final versions of minutes of meetings and all written resolutions of the Committee to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. The secretary of the Committee shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Board, keeping the Board informed of the Committee's activities, decisions and recommendations on a regular basis.
24. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least once annually, the Committee should present a report in writing to the Board which addresses the work and findings of the Committee during the year. The Committee shall include in its report the weakness of the Group's internal control system (if any).
25. Reports to the Board and minutes of the Committee should be approved by the Committee before submitting to the Board.