



WINSON HOLDINGS HONG KONG LIMITED

永順控股香港有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6812)

(the “**Company**”, together with its subsidiaries, the “**Group**”)

Terms of reference of the Audit Committee (“AC”) of the Board of Directors (“Board”) of the Company

First adoption date: 21 February 2017

Revision date: 11 February 2019

Further revision date: 2 June 2020

Validity: Continuous (until further notice)

1. Constitution

- 1.1 The AC is established pursuant to a resolution passed by the Board at its meeting held on 21 February 2017.

2. Membership

- 2.1 The AC shall comprise not less than three members to be appointed by the Board. All members of the AC must be non-executive directors of the Company, at least one of whom is an independent non-executive director (“**INED**”) with appropriate professional qualifications or accounting or related financial management expertise and the majority of whom should be INEDs.
- 2.2 The Board shall appoint the chairman of the AC who should be one of the INEDs sitting on the AC. In the absence of the chairman of the AC or an appointed deputy, the remaining members present shall elect one of them to chair the meeting.

- 2.3 Only members of the AC have the right to attend the AC meetings. However, any director, executive or other person may be invited to attend the meetings when the AC considers that their attendance can assist it to discharge its duties.
- 2.4 A member of the AC who ceases to be a member of the Board shall immediately and automatically cease to be a member of the AC.
- 2.5 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the AC 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 the later.
- 2.6 The Board may, from time to time, at their discretion, amend the terms of reference or adopt new terms of reference or change the composition of the members of the AC.

3. Frequency and proceedings of meetings

- 3.1 The AC shall meet as and when necessary or as requested by any AC member. The AC shall meet not less than two times a year. However, at least once a year the AC shall meet with the external auditors in the absence of any executive director of the Company and other staff member of the Group unless otherwise requested by the AC.
- 3.2 The finance manager, the head of internal audit and compliance of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings of the AC.
- 3.3 The quorum for meetings of the AC shall be two members. A duly convened meeting of the AC at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in the AC.
- 3.4 AC members may pass resolutions by way of written resolutions, but such must be passed by all AC members in writing.
- 3.5 The meetings and proceedings of the AC are governed by the provisions of the Articles of Association of the Company for regulating the meetings and proceedings of the Board so far as the same are applicable.

4. Secretary

- 4.1 Save as otherwise appointed by the AC, the company secretary of the Company (or a duly appointed secretary of the meeting) shall act as the secretary of the AC.

5. Notice of Meetings

- 5.1 Meetings of the AC shall be convened by the chairman of the AC.
- 5.2 Unless otherwise agreed, notice of each meeting setting out the venue, time and date together with the agenda of items to be discussed, shall be forwarded to each of the members of the AC and any other person required to attend at least three working days before the intended meeting date.
- 5.3 Notice shall be given to each AC member 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 from time to time notified to the secretary by such AC member or in such other manner as the AC members may from time to time determine.
- 5.4 Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.

6. Minutes of the Meetings

- 6.1 Minutes of the AC meetings shall record in sufficient detail the matters considered in the meetings and decisions reached, including any concerns raised and dissenting views expressed. Draft and final versions of minutes of the meetings should be sent to all AC members for their comment and records within a reasonable time after the meeting and unless there is a conflict of interest, to all other members of the Board for their information.
- 6.2 The secretary of the AC shall keep the full minutes and resolutions passed at the AC meetings and such minutes and resolutions shall be open for inspection at any reasonable time on prior reasonable notice by any director save when there is a conflict of interest.

7. Annual General Meeting

- 7.1 The chairman of the AC shall attend (or in his/her absence, appoint another member of the AC or failing this his/her duly appointed delegate, to attend) the Annual General Meeting of the Company and be prepared to respond to shareholders' questions on the activities of the AC.

8. Duties

8.1 The AC shall:

Relationship with the Group's auditors

- 8.1.1 make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- 8.1.2 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 8.1.3 discuss with the external auditors before the audit commences the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one external audit firm is involved;
- 8.1.4 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 AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Group

- 8.1.5 monitor integrity of the Company's financial statements, annual report and accounts, interim report and, if prepared for publication, quarterly reports, and review significant financial reporting judgments contained in them;
- 8.1.6 review the Company's annual report and accounts, interim report and, if prepared for publication, quarterly reports before submission to the Board, focusing particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) the going concern assumptions and any qualifications;

- (e) compliance with accounting standards;
- (f) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and legal requirements in relation to financial reporting;
- (g) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Company;
- (h) any significant or unusual items that are, or may need to be, reflected in such 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; and
- (i) the cashflow position of the Company;

and provide advice and comments thereon to the Board;

8.1.7 as regards 8.1.6 above:

- (a) members of the AC must liaise with the Board and senior management and the AC must meet, at least twice a year, with the Company’s auditors; and
- (b) the AC 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;

8.1.8 meet with the external auditor, at least annually in the absence of the management of the Group, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the external auditors or the Committee may wish to raise;

Oversight of the Group’s financial reporting system, risk management and internal control systems

8.1.9 review with the Group’s management, external auditor and internal auditor, the Group’s financial controls, internal control and risk management systems as well as any statement by the directors to be included in the annual accounts prior to endorsement by the Board;

- 8.1.10 discuss the risk management and internal control systems with management of the Group to ensure that the management of the Group has performed its duty to have an effective system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function and to rectify any weaknesses that may be revealed from time to time;
- 8.1.11 consider major investigation findings on risk management and internal control matters as delegated by the Board or on the Committee's own initiative and the Group's management's response to these findings;
- 8.1.12 (where an internal audit function exists) ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness;
- 8.1.13 review the Group's financial and accounting policies and practices;
- 8.1.14 review the external auditor's management letter, any material queries raised by the auditor to the management of the Group about accounting records, financial accounts or systems of control and management's response;
- 8.1.15 ensure that the Board will provide a timely response to issues raised in the external auditors' management letter;
- 8.1.16 implement any remedial plans recommended by the internal control team of the Group should there be any internal control deficiencies;
- 8.1.17 report to the Board on the matters in the Corporate Governance Code in Appendix 14 to the Listing Rules;
- 8.1.18 consider other topics, as defined by the Board;

Corporate Governance Functions

- 8.1.19 develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- 8.1.20 review and monitor the training and continuous professional development of directors and senior management;
- 8.1.21 review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

- 8.1.22 develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- 8.1.23 review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report in Appendix 14 to the Listing Rules;

Other Duties

- 8.1.24 review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 8.1.25 act as the key representative body for overseeing the Group's relations with the external auditor;
- 8.1.26 report to the Board on the matters set out in the Listing Rules;
- 8.1.27 consider other topics and review other documents as may be reasonably requested by the Board from time to time;
- 8.1.28 appraise the Board of significant developments in the course of performing the above duties;
- 8.1.29 recommend to the Board any appropriate extensions to, or changes in, the duties of the AC;
- 8.1.30 review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- 8.1.31 consider the Board's recommendation of the appointment of any person to be an AC member, auditors and senior accounting staff either to fill a casual vacancy or as an additional AC member, auditors and senior accounting staff or the Board's recommendation for the dismissal of any of them; and
- 8.1.32 make available its terms of reference explaining its role and the authority delegated to it by the Board by including on them on the respective websites of The Stock Exchange of Hong Kong Limited and the Company.

9. **Reporting Responsibilities**

- 9.1 The AC shall report formally to the Board on its decisions or recommendations after each meeting on all matters within its duties and responsibilities, unless there are legal or other regulatory restrictions on the AC's ability to do so.
- 9.2 The AC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10 **Authority**

- 10.1 The AC is authorized to investigate any activity within its terms of reference. The AC is also authorized to seek any information it reasonably requires from any employee of the Company in order to perform its duties.
- 10.2 The AC may obtain, at the expense of the Company, legal or other professional advice on any matters within its terms of reference.
- 10.3 The AC should be provided with sufficient resources to perform its duties.

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