

# **TEXWINCA HOLDINGS LIMITED**

(the “Company”)

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### **MEMBERSHIP AND QUORUM**

1. The Audit Committee (the “Committee”) shall be appointed by the board of directors of the Company (the “Board”) from amongst the independent non-executive directors of the Company and shall consist of not less than three (3) members, at least one of whom have 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”). A quorum shall be two (2) members.
2. The chairman of the Committee (the “Chairman”) shall be appointed by the Board.

### **ATTENDANCE AT MEETING**

3. One or more Executive Directors, Group Financial Controller and one or more representative(s) of the external auditors shall normally attend meeting. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without executive Board members’ present.
4. The Company Secretary shall be the secretary of the Committee. When the Company Secretary is absent from any meeting of the Committee, members of the Committee shall be entitled to appoint any other person which it deems appropriate to act as the secretary of such meeting of the Committee.

### **FREQUENCY OF MEETINGS**

5. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

### **AUTHORITY**

6. 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.

7. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **DUTIES**

8. The duties of the Committee shall be:

### *Relationship with the Company's external auditors*

- (a) 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;
- (b) to 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 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;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

### *Review of the Company's financial information*

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, interim report 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;

(f) Regarding (e) above:-

- (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external 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;

*Oversight of the Company's financial reporting system, risk management and internal control systems*

- (g) to review the Company's financial controls, risk management and internal control systems;
- (h) 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 and financial reporting function;
- (i) 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;
- (j) 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;

- (k) to review the group's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to establish 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;
- (o) 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. 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) to report to the Board on the matters set out above; and
- (q) to consider other topics, as defined by the Board.

## **REPORTING PROCEDURES**

9. The secretary shall circulate the minutes of meeting of the Committee to all members of the Committee after each meeting.

## **ATTENDANCE IN ANNUAL GENERAL MEETING**

10. The Chairman, or in the absence of the Chairman, another member of the Committee or failing him, his duly appointed delegate, shall attend the annual general meeting of the Company and be available to answer questions at the annual general meeting of the Company.