

**Winfull Group Holdings Limited**  
**(the “Company” which together with its subsidiaries, the “Group”)**

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**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

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**1. Members and Secretary**

- 1.1 Members of the audit committee of the Company (the “**Audit Committee**”) shall be appointed by the board of directors of the Company (the “**Directors**”) (the “**Board**”) from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
- 1.2 The chairman of the Audit Committee shall be appointed by the Board.
- 1.3 The secretary of the Audit Committee (the “**Secretary**”) shall be appointed by the Board.
- 1.4 The appointment of the members and Secretary may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board and the Audit Committee.
- 1.5 In the event that the Audit Committee comprises of a non-executive Director who is a former partner of the Company’s existing auditing firm, such non-executive Directors shall be prohibited from acting as a Member for a period of 2 years commencing on the date of his ceasing to be a partner of the auditing firm or to have any financial interest in the firm, whichever is later.

**2. Proceedings of the meetings**

- 2.1 Notice of any meetings has to be given at least 7 clear days prior to any such meeting being held, unless all members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member shall be deemed waiver of the requisite length of notice by the member. Notice of any adjourned meeting is not required if adjournment is less than 14 days.
- 2.2 A member of the Audit Committee may and, on the request of a member of the Audit Committee, the Secretary shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or facsimile transmission at the telephone or facsimile number(s) or address from time to time notified to the Secretary by such member of the Audit Committee or by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.
- 2.3 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting.

- 2.4 Meetings may be held in person, by telephone or video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 2.5 The quorum of the Audit Committee meeting shall be two members of the Audit Committee. The quorum shall be present at the commencement of and throughout (except during breaks) the meeting.
- 2.6 The Finance Director, the Head of Internal Audit (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 Audit Committee. The executive Directors shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external auditors in the absence of the executive Directors.
- 2.7 Members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Company's auditors. The external auditors of the Company may request the chairman of the Audit Committee to convene a meeting, if they consider that is necessary.

### **3. Annual General Meeting**

The chairman of the Audit Committee or in his/her absence, another member of the Audit Committee, shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

### **4. Circulation of minutes and written resolutions**

- 4.1 Full minutes of Audit Committee meetings should be kept by the Secretary. Draft and final versions of minutes of the meetings should be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting. The minutes shall be confirmed by the chairman of that particular meeting signing the same or confirmed by resolutions passed in the following Audit Committee meeting or Board meeting. All Directors shall, at any time, have access to the minutes of the committee meetings.
- 4.2 The Secretary shall circulate the minutes of meetings and all written resolutions of the Audit Committee to all members of the Board.
- 4.3 Written resolutions must be passed by all members of the Audit Committee.

## 5. Authority

The Audit Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Group and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Audit Committee and to supply information and answer questions raised by the Audit Committee;
- (b) to monitor whether the Group's management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Listing Agreement and other rules and regulations from time to time laid down by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request management to make investigation and submit reports;
- (d) to review the Group's risk management and internal control systems;
- (e) to review the performance of the Group's employees in the accounting and internal audit department, ensure the adequacy of resources, staff qualifications and experience, training programmers and budgets of the Group's accounting, internal audit and financial reporting functions;
- (f) to make recommendations to the Board for the improvement of the Group's risk management and internal control;
- (g) to request the Board to convene a shareholders' meeting for purposes of revoking the appointment of any Director and to dismiss any employees if there is evidence showing that the relevant Director and/or employee has failed to discharge his duties properly;
- (h) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group;
- (i) to obtain outside legal or other independent professional advice and to secure the attendance of independent third parties with relevant experience and expertise, if it considers this necessary; and
- (j) to be provided with sufficient resources to perform its duties.

## 6. Responsibilities of the Audit Committee

The Audit Committee should:

- (a) primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, consider the external auditors' proposed audit fees, approve the remuneration and terms of engagement of the external auditors, 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 Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the Audit 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) act as the key representative body for overseeing the Company's relations with the external auditor;
- (e) where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a difference view;
- (f) 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 judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
  - (i) any changes in accounting principles and practices adopted by the Group;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting standards;
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
  - (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group;
  - (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosure gives a true and fair view of the Group's financial conditions; and
  - (ix) the cashflow position of the Group;

- (g) regarding the clause 6(f) above,
  - (i) Members should liaise with the Board and senior management and the Audit committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Audit 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.
- (h) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;
- (i) discuss problems and reservations arising from the interim limited review and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (j) review and supervise the financial reporting process, review the financial information of the Group, oversee the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Group's risk management and internal control procedures and risk management systems;
- (k) discuss the risk management and internal control systems with the management to ensure that management has performed its duty to have effective systems. This discussion should ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function;
- (l) review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (m) review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (n) (where an internal audit function exists) review the internal audit programme, 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;
- (o) conduct exit interviews with any Director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;
- (p) prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;

- (q) consider the Board's recommendation of the appointment of any person to be an Audit Committee member, a company secretary, auditors and accounting staff either to fill a casual vacancy or as an additional Audit Committee member, company secretary, auditors and accounting staff or the Board's recommendation for the dismissal of any of them;
- (r) 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;
- (s) review the Group's financial and accounting policies and practices;
- (t) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (u) report to the Board on the matters set out in these terms of reference; and
- (v) consider other matters, as defined or assigned by the Board from time to time.

## **7. Veto rights of the Audit Committee**

The Audit Committee has the following veto rights. The Group cannot implement any of the following matters which has been vetoed by the Audit Committee:

- (a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive Directors and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager.

## **8. The articles of association of the Company**

- 8.1 These terms of reference shall not prevail the articles of association of the Company, in particular for the provisions where a Director is not allowed to vote in the case of conflicts of interest.
- 8.2 The provisions relating to the proceedings of the meetings of the Directors stipulated in the articles of association not mentioned above shall be applicable to the proceedings of the Audit Committee meetings.
- 8.3 The articles of association of the Company regulating the meetings and proceedings of the Directors, so far as the same are applicable and not inconsistent with the provisions of these regulations, shall apply to regulate the meetings and proceedings of the Audit Committee.

## **9. Powers of the Board**

The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Code of Best Practice), amend, supplement and revoke these Regulations and any resolution passed by the Audit Committee provided that no amendments to and revocation of these regulations and the resolutions passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if these Regulations or resolution had not been amended or revoked.

## **10. Address of communication, etc.**

- 10.1 Each of the Directors shall supply to the Secretary information as to his correspondence address and contact number for the purpose of receiving notices (including but not limited to notice from the Board, nomination committee, remuneration committee and the Audit Committee) issued by the Company. The Secretary shall notify each of the Directors the correspondence address and contact number of the other Directors.
- 10.2 The correspondence address and contact number of the Directors who have not supply such information to the Secretary shall be deemed to be at the Company's place of business in Hong Kong from time to time and the Company's telephone number.
- 10.3 Every notice and communication made pursuant to these terms of reference shall be despatched or sent to the correspondence address of each Director. If a notice or communication is made by means of telephone calls, message can be left in the mailbox.
- 10.4 The date of notice and the date of the meeting shall be inclusive in the calculation of the notice period.

## **11. Alternate members**

A member of the Audit Committee may not appoint any alternate member.

## **12. Constitution**

The Audit Committee was established pursuant to a resolution passed by the Board at a meeting held on 2 May 2002. Its terms of reference was revised by the Board resolution on 28 February 2011, 30 March 2012, 3 June 2016 and 18 January 2019, respectively. This latest version was effective on 1 January 2019.

## **13. Publication of the Terms of Reference**

The Audit Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the board including them on the Exchange's website and the issuer's websites.