

# **TEXWINCA HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(the “**Company**”)

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

The board of directors of the Company (the “**Board**”) resolved on 1 March 1999 to establish a committee of the Board to be known as the Audit Committee (the “**Committee**”).

### **MEMBERSHIP**

1. Members of the Committee shall be appointed by the Board and the Committee must comprise a minimum of three (3) members.
2. Membership shall be confined to Non-executive Directors, the majority of whom must be Independent Non-executive Directors with at least one Independent Non-executive Director having 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**”).
3. The chairman of the Committee (the “**Committee Chairman**”) shall be appointed by the Board from among the Independent Non-executive directors.
4. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the later of (a) the date of his/her ceasing to be a partner of the firm; and (b) the date of his/her ceasing to have any financial interest in the firm.

### **ATTENDANCE AT MEETING**

5. The Committee may invite any appropriate person to attend meetings of the Committee as it considers appropriate, including the Chief Financial Officer, the Head of Group Internal Audit, representative(s) of the external auditors and other Board members. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.
6. The company secretary of the Company or his or her nominee shall be the secretary of the Committee.

### **MEETINGS**

7. The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and as otherwise required. The Committee Chairman or any member, or the external auditor may request a meeting if necessary.

8. Notice of meetings has to be given at least 14 days prior to any such meeting being held, unless all members of the Committee unanimously waive such notice.
9. A quorum shall be two (2) members of the Committee provided that if any members of the Committee are interested in any nomination submitted to the Committee for consideration or approval, such member shall declare the nature of his/her interest and shall not be counted in the quorum present at the meeting and his/her vote shall also not be counted.
10. Meeting(s) of the Committee may be conducted in person or through electronic communication, including by telephone or video conference.
11. A resolution in writing signed by all members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

### **AUTHORITY**

12. 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.
13. 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.
14. The Committee shall be provided with sufficient resources to perform its duties.

### **DUTIES**

15. 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 ensure that the effectiveness of the risk management and internal control systems of the Company and its subsidiaries is reviewed at least annually, and management should provide a confirmation on the effectiveness of these systems. The review should cover all material controls, including financial, operational and compliance controls;

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

## **REPORTING PROCEDURES**

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

## **ATTENDANCE IN ANNUAL GENERAL MEETING**

17. The Committee Chairman or another member of the Committee shall attend the annual general meeting of the Company and be available to answer questions at the annual general meeting of the Company.