



# 德銀天下股份有限公司

## DEEWIN TIANXIA CO., LTD

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

### **Terms of Reference of the Audit Committee of the Board**

#### **Chapter I General Provision**

**Article 1** The terms of reference is formulated to strengthen the decision-making of Deewin Tianxia Co., Ltd (the “**Company**”), standardize the organization, responsibilities and working procedures of the audit committee (the “**Audit Committee**”) of the board of the directors of the Company (the “**Board**”), ensure the effective supervision of business management by the Board, and improve the corporate governance structure in accordance with the Company Law of the People's Republic of China, the Articles of Association, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and other relevant regulations.

**Article 2** The Audit Committee of the Board is a special committee under the Board, which is responsible to and reports to the Board.

**Article 3** Members of the Audit Committee shall spend sufficient time and effort in performing the work duties of the Committee and be diligent and responsible, so as to supervise the Company's external audit effectively, guide the Company's internal audit, promote the Company's establishment of effective internal control and prepare true, accurate and complete financial reports.

#### **Chapter II Composition**

**Article 4** The Audit Committee shall consist of no less than three non-executive Directors, of whom the majority shall be independent non-executive directors. In principle, all members shall be equipped with the professional knowledge and business experience to perform the duties of the Audit Committee, and among them, at least one of the independent non-executive Directors shall be an accounting professional, that is, a person with professional qualifications in accounting, or with appropriate accounting or relevant financial management expertise.

**Article 5** Members of the Audit Committee shall be nominated by the Chairman of the Company, more than half of the independent non-executive directors or more than one-third of all the directors, and shall be elected by the Board.

**Article 6** A former partner of the audit firm currently responsible for auditing the Company's accounts shall not serve as a member of the issuer's Audit Committee for a period of two years from the following date (whichever is later): (a) the date of the person ceasing to be a partner of the audit firm; or (b) ceasing to have a financial interest in the audit firm.

**Article 7** The Audit Committee shall have one chairman, who shall be an independent non-executive directors. The chairman is responsible for convening committee meetings and presiding over the work of the Audit Committee, and the chairman shall be elected among the members and submitted to the Board for approval.

**Article 8** Members of the Audit Committee shall have the same tenure as the directors of the same session of the Board. The members may be re-elected upon the expiration of the term of office. If a committee member ceases to be a director of the Company or a committee member who serves as the independent non-executive director is no longer qualified for the position of independent non-executive director within his/her term of office, he/she membership shall be automatically removed as the committee member, and the vacancies in the Committee shall be filled in accordance with the terms of reference by the Board.

**Article 9** The Board shall evaluate the independence and performance of the members of the Audit Committee on a regular basis, and replace the Committee members who are not suitable to continue the service where necessary.

**Article 10** The administrative office of the Audit Committee is the audit department of the Company, which is responsible for the daily work liaison, meeting arrangements, material preparation and file management of the Audit Committee.

### **Chapter III Responsibilities and Authorities**

**Article 11** The responsibilities of the Audit Committee include:

- (I) to supervise and evaluate the external auditor;
- (II) to guide the internal auditing;
- (III) to review and comment on the Company's financial reports;
- (IV) to evaluate the effectiveness of the financial reporting system and internal controls;
- (V) to coordinate the communication between the management, the internal audit department, and relevant departments and external auditor;
- (VI) to review and monitor the Company's policies and practices regarding compliance with legal and regulatory requirements;
- (VII) to review the Company's compliance with the applicable corporate governance code and the corporate governance reports required to be disclosed by the listing rules of the place where the shares of the Company are listed;
- (VIII) to ensure that the Company establishes appropriate channels so that employees can report or raise questions about potential improper behaviors in financial reporting, internal control or other aspects under the premise of confidentiality, and to review relevant arrangements from time to time to allow the Company to conduct a fair and independent investigation into such matters and take appropriate follow-up actions;
- (IX) to report its decisions or suggestions to the Board, unless prevented from doing so by law or by other restrictions;
- (X) other matters prescribed by applicable laws, regulations and the Listing Rules or authorized by the Board of the Company.

**Article 12** The Audit Committee's responsibilities for monitoring and evaluating the work of the external auditor shall include at least the following aspects:

- (I) To propose to the Board to appoint, re-appoint or discuss an external auditor, review the audit fees and terms of engagement of the external auditor, as well as deal with any resignation or dismissal of the external auditor, take appropriate measures to monitor the work of the external auditor, and review the report of the external auditor, ensuring the ultimate responsibility of the external auditor to the Board and the Committee;
- (II) To evaluate the work of the external auditor, and monitor the independence (especially the impact of the provision of non-audit services by the external auditor on its independence), professionalism, work procedures, quality and results of the external auditor, including reviewing and monitoring the independence and objectivity and the effectiveness of audit procedures of external auditor according to applicable standards;
- (III) The Committee shall, before the auditing begins, discuss and communicate with the external auditor the nature, scope, plan, methods and relevant reporting obligations of the auditing, and communicate timely with the external auditor on the major matters discovered by the external auditor in auditing;
- (IV) To formulate and implement policies regarding the provision of non-audit services by external auditor (for the purpose of this provision, the term "external auditor" includes any entity which is under the same control, ownership or management of the audit firm or which would be reasonably concluded by a third party with reasonable knowledge of all relevant information to be a part of the local or international businesses of the audit firm). The Committee shall report to the Board on any matters requiring actions or improvement and make recommendations thereon;
- (V) To supervise and evaluate the diligence of external auditor.

The Audit Committee shall convene a separate communication meeting with the external auditor without management participation at least once a year. The secretary of the Board may attend the meeting.

**Article 13** The Audit Committee's responsibilities for guiding the internal audit activities shall include at least the following aspects:

- (I) To review the annual internal audit work plan of the Company;
- (II) To monitor the implementation of the internal audit plan of the Company;
- (III) To review the internal audit work report, evaluate the results of the internal audit, and supervise the rectification of major problems;
- (IV) To supervise the effective operation of the internal audit department;
- (V) To ensure that the internal auditing has sufficient resources for operation and proper position in the Company, and to review and monitor the effectiveness of internal audit.

The internal audit department of the Company shall report its work to the Audit Committee. Various audit reports, rectification plans and rectification situations of audit issues sent by the internal audit department to the management shall be submitted to the Audit Committee at the same time.

**Article 14** The Audit Committee's responsibilities to review and comment on the Company's financial reports shall include at least the following aspects:

- (I) To review the completeness of the Company's financial statements, annual reports, semi-annual reports and financial reports, to review the financial statements and significant opinions regarding financial reporting contained in the reports, and to give opinions on the authenticity, completeness and accuracy of the financial reports;
- (II) In reviewing the financial reports and before presenting the statements and reports to the Board, the Audit Committee shall pay particular attention to the following:
  - 1. Major accounting and auditing issues in the Company's financial reports, including adjustments for major accounting errors, changes in accounting policies and practices and estimates, matters involving important judgments, major adjustments due to auditing, and matters leading to non-standard unqualified audit reports;
  - 2. Assumptions of going concern and any qualified opinions;
  - 3. Whether there is a possibility of fraud, malpractice or material misstatement in relation to financial reports;
  - 4. Compliance with accounting standards;
  - 5. Compliance with the financial reporting requirements of the Listing Rules and other laws.

In order to perform the above responsibilities,

- (1) Members of the Audit Committee shall keep in contact with the Board and senior management members. The Audit Committee shall meet the external auditor of the Company at least twice each year;
  - (2) The Audit Committee shall consider any material or unusual matters that are or need to be reflected in such reports and accounts, and shall make due reference to any matters raised by the Company's financial staff, internal auditors or external auditor.
- (III) To supervise the rectification of the problems of financial reports.

**Article 15** The responsibilities of the Audit Committee for evaluating the effectiveness of the financial reporting system, the risk management and internal control system shall include at least the following aspects:

- (I) To review the financial monitoring of the Company and (unless there is a separate Risk Committee under the Board or the Board will deal with it explicitly) the risk management and internal control systems of the Company;
- (II) To discuss the risk management and internal control system with the management to ensure that the management has performed its duties to establish an effective system. The discussion shall include the adequacy of the Company's resources, staff qualifications and experience in accounting and financial reporting functions, and the adequacy of training programs and relevant budget;
- (III) To study, on its own initiative or as delegated by the Board, the important findings relating to risk management and internal control and the management's response to the findings;
- (IV) To ensure that the work of internal and external auditors is coordinated if there is internal auditing function in the Company; to ensure that the internal auditing function is equipped with adequate resources to operate within the Company and has an appropriate standing; and to review and monitor its effectiveness;
- (V) To review the financial and accounting policies and practices of the Group;
- (VI) To examine the Explanation Letter on Audit\* (審核情況說明函) issued to the management by the external auditor, any material questions raised by the auditor to the management in relation to the accounting records, financial accounts or control systems, and the response of the management;
- (VII) To ensure that the Board responds in a timely manner to the matters raised in the Explanation Letter on Audit\* (審核情況說明函) from the external auditor to the management;
- (VIII) To report to the Board on matters as set out in this terms of reference; and
- (IX) To study other subjects as defined by the Board.

**Article 16** The Audit Committee's responsibilities for coordinating and communicating with the management, the internal audit department and relevant departments and external auditor include:

- (I) To coordinate the management's communication with external auditor on major audit issues;
- (II) To coordinate the communication between the internal audit department and the external auditor and the cooperation with the external auditing;
- (III) To review the letters of management advice from external auditor to the management, any material questions raised by the external auditor to the management in relation to the accounting records, financial accounts or internal control system, as well as the response of the management; and to ensure that the Board responds to the external auditor in a timely manner regarding the matters raised in the external auditor's letters of management advice to the management.

**Article 17** The Audit Committee shall report to the Board and make recommendations on the measures or improvements it deems necessary. The Audit Committee shall review the following arrangements established by the Company: employees of the Company may secretly raise concerns about financial reporting, internal control or other possible misconducts. The Audit Committee shall ensure that appropriate arrangements are in place for the Company to conduct a fair and independent investigation and take appropriate actions in such matters. The Audit Committee shall act as the principal representative between the Company and the external auditor, responsible for monitoring the relationship between the two.

**Article 18** The Company shall provide such resources as are necessary for the Audit Committee to perform its duties. When the Audit Committee deems necessary, it may hire an intermediary agency to provide professional advice at the Company's expense.

**Article 19** When the Company employs or replaces an external auditor, the Audit Committee shall formulate its resolution and make recommendations to the Board for its review and approval.

**Article 20** The Audit Committee shall be responsible to the Board, and the Committee's proposals shall be submitted to the Board for review and decision. The Audit Committee shall cooperate with the supervisors of the Supervisory Committee in the audit activities.

#### **Chapter IV Decision-Making Procedures**

**Article 21** The Audit Department shall be responsible for the preparatory work for the decision-making of the Audit Committee, and the coordination between the Company's internal audit department, financial department and other relevant departments to provide written information of the Company in relation to:

- (I) the relevant financial reports of the Company;
- (II) the work reports of the internal auditor;
- (III) the external audit contracts and the relevant work reports;
- (IV) internal control work report;
- (V) the external disclosure;
- (VI) the audit reports on the major related transactions;
- (VII) other relevant matters.

**Article 22** The Audit Committee meeting shall review the reports provided by the Audit and Supervision Department, and submit relevant written resolution materials to the Board for discussion:

- (I) the evaluation of the performance of the external auditor, and the appointment and replacement of the external auditor;
- (II) whether the Internal Audit Charters has been effectively implemented, and whether the financial reports of the Company are true and complete;
- (III) whether the financial reports and other information disclosed are objective and true, whether the major related transactions comply with the relevant laws and regulations;
- (IV) the evaluation of the Company's risk management and internal control;
- (V) the evaluation of the performance of the internal financial department and the Audit Department (including their persons-in-charge);
- (VI) other relevant matters.

## **Chapter V Rules of Procedures**

**Article 23** Meetings of the Audit Committee are composed of regular meetings and extraordinary meetings. Regular meetings are held at least twice a year. Extraordinary meeting may be held when the Chairman or two or more committee members propose that it is necessary.

**Article 24** The meeting of the Audit Committee shall be notified to all members five days prior to the meeting, and may be notified at any time in case of emergency. The notice of the meeting shall include the venue, date, time and method of the meeting, as well as the meeting agenda, items to be discussed and relevant information.

**Article 25** The members of the Audit Committee shall attend the meeting in person and express clear opinions on the matters under consideration. Where a member is unable to attend the meeting in person due to any reason, he/she may entrust other members of the Audit Committee to attend and vote on his/her behalf. However, members of the independent non-executive directors may only entrust other members of the independent non-executive directors to attend and vote on their behalf. Each member shall be entrusted by no more than one member.

**Article 26** The meeting of the Audit Committee shall be held only when more than two-third of the members are present, and each member shall have one vote.

**Article 27** The meeting of the Audit Committee can be held in the form of on-site meeting, video conference, telephone conference or with the aid of similar communication equipment.

**Article 28** The voting methods of the Audit Committee meeting shall be voting by show of hands, by poll or by correspondence voting.



**Article 29** The resolutions of the Audit Committee to the Board shall be approved by more than half of all the committee members. If no effective resolution can be formed due to the withdrawal of members of the Audit Committee, the relevant matters shall be directly reviewed by the Board.

**Article 30** The secretary of the Board and members of the Board Office may attend the meeting of the Audit Committee, and if necessary, the Company's directors, supervisors, management, representatives of external auditor, legal advisers and personnel from relevant departments of the Company may also be invited to attend the meeting of the Audit Committee and provide necessary information.

**Article 31** The convening procedures, and voting methods of, and resolutions passed by the Audit Committee meeting shall comply with the relevant laws, regulations, the Articles of Association and the provisions of the terms of reference.

**Article 32** The Audit Committee meeting shall have meeting minutes, which shall be signed by the committee members attending the meeting.

**Article 33** The resolutions passed by the Audit Committee meeting and voting results shall be reported to the Board in written form.

**Article 34** The minutes, resolutions and other documents formed at the meeting of the Audit Committee shall be kept by the duly appointed secretary of the meeting (usually the secretary of the Company). The first draft and the final draft of the meeting minutes shall be sent to all members of the Committee within a reasonable time after the meeting. The first draft is for members to express their views and the final for their records. The meeting minutes shall be kept for not less than ten years; and it will be issued by the Chairman of the Audit Committee and distributed to the Board and relevant departments and personnel after the meeting where necessary.

**Article 35** Members present at the meeting shall have the obligation of maintaining the confidentiality of the matters discussed at the meeting and shall not disclose relevant information without authorization.



## Chapter VI Supplementary Provisions

**Article 36** The Audit Committee shall disclose its terms of reference on the websites of The Stock Exchange of Hong Kong Limited and the Company.

**Article 37** The term “more than” in the terms of reference includes the number itself.

**Article 38** Any matter not specified in the terms of reference shall be implemented in accordance with relevant national laws, regulations, the Listing Rules and the Articles of Association. In case the terms of reference conflict with laws, regulations, the Listing Rules promulgated by the State in the future or the Articles of Association amended by legal procedures, it shall be implemented in accordance with relevant national laws, regulations, the Listing Rules and the Articles of Association, and shall be amended in accordance with them and submitted to the Board for review and approval.

**Article 39** The terms of reference shall come into force and be implemented after being deliberated and approved by the Board of the Company. The provisions related to post-listing corporate governance shall be effective and implemented from the date of the Company’s initial public offering and listing in Hong Kong.

**Article 40** The terms of reference shall be interpreted by the Board of the Company.