

*In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.*

**WINDMILL Group Limited**  
(海鑫集團有限公司)  
(Incorporated in the Cayman Islands with limited liability)  
(the “**Company**”)

**AUDIT COMMITTEE — TERMS OF REFERENCE**

Approved by the board of directors of the Company (the “**Board**”) on 27 March 2017.

**1. MEMBERSHIP**

- 1.1 The audit committee (the “Committee”) shall be appointed by the Board from time to time from amongst the non-executive directors of the Company and shall consist of not fewer than three members, a majority of whom should be independent non-executive directors of the Company. At least one of the members of the Committee shall be an independent non-executive director of the Company with appropriate professional qualifications or accounting or related financial management expertise (as required under rule 5.05(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited).
- 1.2 A former partner of the Company's existing auditing firm from time to time may not act as a member of the Committee for a period of one year commencing on the date of his ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is the later.
- 1.3 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.

**2. MEETINGS**

**2.1 Attendance at Meetings**

- (i) The staff who is responsible for the accounting and financial reporting function of the Company and its subsidiaries (the “Group”), the Group's internal auditor, where an internal audit function exists in the Company, and a representative of the Group's external auditors shall normally attend meetings. The Committee may hold separate private meeting(s) with the internal auditor and/or the external auditors, without the presence of the executive directors or senior management of the Company whenever they think fit and appropriate.
- (ii) Save as otherwise appointed by the Committee, the company secretary shall be the secretary of the Committee and in the absence of the company secretary, a member of the Committee or his/her nominee shall act as the secretary.

## **2.2 Frequency and proceedings of meetings**

- (i) The Committee shall meet at least four times a year. The external auditors or any members of the Committee may request a meeting with or without the presence of management of the Company if they consider that one is necessary.
- (ii) The quorum of a meeting shall be two members of the Committee. Any members of the Committee or other attendees may participate in a meeting of the Committee by attending in person or by means of a telephone conference or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- (iii) With consent by all members of the Committee, resolutions of the Committee could be passed by written resolutions.
- (iv) Any resolution shall be passed by the majority votes of the members of the Committee who attend the meeting and a majority vote of the members present shall represent an act of the Committee.

## **2.3 Notice of meetings**

- (i) Meetings of the Committee shall be called by its chairman or at the request of the Board.
- (ii) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Committee, the chief executive officer of the Company, the chief financial officer of the Company and any other person required to attend, no fewer than five working days prior to the date of the meeting.

## **3. AUTHORITY**

- 3.1 The Committee is authorised by the Board to conduct any investigation within its scope of powers. In the discharge of its duties as set out above, the Committee is authorised to seek any information it requires from any employee of the Company and its subsidiaries and all such employees are directed to co-operate with any request made by the Committee.
- 3.2 The Committee is authorised by the Board, at the Company's expense, to appoint legal or other independent professional advisers with relevant experience and expertise to assist the Committee in the discharge of its duties set out in these terms, and to secure the attendance of such professional advisers at its meetings if it considers it necessary.
- 3.3 The Committee is authorised to require management of the Company to provide it with such resources as may be necessary for it to discharge its duties as set out in these terms.

- 3.4 The Committee is authorised to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

#### **4. RESPONSIBILITY**

- 4.1 The Committee is to serve as a focal point for communication between other directors of the Company, the external auditors and the internal auditor, where an internal audit function exists in the Company, as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- 4.2 The Committee is to assist the Board in providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

#### **5. DUTIES, POWERS AND FUNCTIONS**

The Committee is to:

- (a) be responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors;
- (b) review with the Group's management, external auditors and internal auditor, where an internal audit function exists in the Company, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors of the Company to be included in the annual accounts prior to endorsement by the Board;
- (c) have familiarity with the accounting and financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) before audit commencement, review external auditors' independence, objectivity, effectiveness of the audit process in accordance with the applicable standards and discuss with the external auditors the nature and scope of the external audit, including the engagement letter, and the reporting obligations. The Committee should understand the factors considered by the external auditors in determining their audit scope. The external audit fees are to be negotiated by management of the Company, and presented to the Committee for review and approval annually;
- (e) review and monitor the integrity of the Company's financial statements and the annual, quarterly and interim financial reports, and to review significant financial reporting judgements contained in them prior to approval by the Board, with particular focus on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;

- (iii) significant adjustments resulting from the audit/review;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting and auditing standards; and
  - (vi) compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) and legal requirements in relation to financial reporting;
- (f) with regard to (e) above:
- (i) members of the Committee must liaise with the Board and senior management of the Company, 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 reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor;
- (g) to review the Company’s financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, , to review the Company’s risk management and internal control systems;
- (h) review the draft representation letter prior to approval by the Board;
- (i) evaluate the cooperation received by the external auditors, including their access to all requested records, data and information; obtain the comments of management of the Company regarding the responsiveness of the external auditors to the Group’s needs; inquire of the external auditors as to whether there have been any disagreements with management of the Company which if not satisfactorily resolved would result in the issue of a qualified report on the Group’s financial statements;
- (j) 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 audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;
- (k) seek from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- (l) discuss with the external auditors any recommendations arising from the audit (if

necessary in the absence of management of the Company); and review the external auditor's draft management letter, any material queries raised by the auditor to management of the Company in respect of the accounting records, financial accounts or systems of control and the response of the Company's management to the points raised;

- (m) ensure that the Board will provide a timely response to issues raised in the external auditors' management letter;
- (n) where an internal audit function exists in the Company, 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;
- (o) to review the Group's financial and accounting policies and practices;
- (p) the engagement of the external auditors to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditors due to their unique expertise in a particular area, the prior approval of the Committee is required;
- (q) discuss the risk management and internal control systems with management of the Company to ensure that management of the Company has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (r) apprise the Board of significant developments in the course of performing the above duties;
- (s) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (t) consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of the Company's management to these findings;
- (u) review arrangements by which employees, in confidence, can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action;
- (v) to act as the key representative body for overseeing the Company's relations with the external auditor.
- (w) report to the Board on the above matters; and
- (x) consider other topics, as requested by the Board.

## **6. REPORTING PROCEDURES**

- 6.1 Full minutes of the meetings of the Committee should be kept by the secretary of the Company. Minutes shall record matters considered and decisions reached by the members of the Committee in detail, including any doubt or disagreement raised by the members of the Committee. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records respectively within a reasonable time after the meeting.
- 6.2 The secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board.

## **7. INTERPRETATION**

Interpretation of these terms of reference shall belong to the Board.