



MADISON WINE®

Madison Wine Holdings Limited

麥迪森酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8057)

**TERMS OF REFERENCE OF
THE AUDIT COMMITTEE**

Adopted by resolution of the Board of Directors on 21 September 2015
and revised on 31 December 2015

Madison Wine Holdings Limited

麥迪森酒業控股有限公司

(the “Company”)

Terms of Reference of the Audit Committee

1. Constitution

1.1 The board of directors (“**Directors**”) of the Company (the “**Board**”) resolved to establish an audit committee (the “**Audit Committee**”) on 21 September 2015.

2. Membership

2.1 The Audit Committee shall comprise non-executive Directors only. Members of the Audit Committee shall be appointed by the Board and shall consist of not less than three members and at least one of whom is an independent non-executive Director with appropriate qualifications of accounting or related financial management expertise as required under Rule 5.28 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The majority of the Audit Committee members shall be independent non-executive Directors. The initial members of the Audit Committee are Mr. Chu Kin Wang, Peleus, Ms. Debra Elaine Meiburg and Ms. Fan Wei.

2.2 The Board shall have the right to appoint and remove members of the Audit Committee. The Board shall also have the right to appoint additional members to the Audit Committee.

2.3 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year commencing on the date of his or her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

3. Chairman

- 3.1 The Board shall appoint a chairman (the “**Chairman**”) for the Audit Committee who shall be an independent non-executive Director. The first Chairman is Mr. Chu Kin Wang, Peleus.
- 3.2 In the absence of the Chairman at any meeting of the Audit Committee, the remaining members of the Audit Committee present at any meeting convened in accordance with these terms of reference shall elect among the remaining members of the Audit Committee to act as the Chairman.

4. Secretary

- 4.1 The company secretary or his/her nominee shall act as the secretary of the Audit Committee. The first secretary of the Audit Committee is Ms. Tse Ka Yan.
- 4.2 In the absence of the secretary of the Audit Committee, the members of the Audit Committee present at the meeting shall elect another person to act as the secretary.

5. Notice

- 5.1 Unless otherwise agreed in writing by all members of the Audit Committee, a meeting of the Audit Committee shall be called by at least seven days’ notice.
- 5.2 A member of the Audit Committee may and, on the request of a member of the Audit Committee, the secretary to the Audit Committee 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 by telex or telegram or facsimile transmission or electronic mail at the telephone or facsimile or address or electronic email address from time to time notified to the secretary by such member of the Audit Committee by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.
- 5.3 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with the meeting papers and other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting shall be sent in full to all members of the Audit Committee in a timely manner and at least seven days before the intended date of an Audit Committee meeting or such other period as agreed in writing by all members of the Audit Committee.

6. Quorum and Attendees

- 6.1 The quorum necessary for the transaction of business shall be two. No business shall be transacted at any meeting of the Audit Committee unless a quorum of members is present at the time when the meeting proceeds to business.
- 6.2 If only two members are present in any meeting of the Audit Committee, at least one member must be an independent non-executive Director.
- 6.3 The head of finance of the Company (or any officer(s) assuming the relevant functions but having a different designation), the head of internal audit of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company may normally be invited to attend meetings of the Audit Committee, however they shall not be counted in the quorum.
- 6.4 Other Directors who are not members of the Audit Committee shall have the right to attend any meetings of the Audit Committee, however they shall not be counted in the quorum.
- 6.5 A duly convened meeting of the Audit 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 Audit Committee.

7. Frequency of Meetings

- 7.1 Meetings shall be held at least once every six months to consider the Company's budget, revised budget and interim and annual reports prepared by the management of the Company. The external auditors may request the Chairman to convene meetings, if they consider necessary.

8. Minutes of Meetings

- 8.1 Minutes of the Audit Committee should record in sufficient detail regarding the matters considered by the Audit Committee and decisions reached, including any concerns raised by any member of the Audit Committee or dissenting views expressed. Drafts and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after the meeting is held.
- 8.2 Minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be made available for inspection by any member of the Audit Committee and any Director at any reasonable time and on reasonable notice.

9. Written Resolutions

9.1 Resolutions may be passed by all members of the Audit Committee in writing.

10. Meeting with External Auditors

10.1 The Audit Committee shall meet with the external auditor of the Company in the absence of the executive Directors of the Company at least once a year.

11. Duties

11.1 The duties of the Audit Committee shall include the following:

Relationship with external auditors

- (a) to be primarily responsible for considering and making recommendations to the Board on the appointment, reappointment, resignation, dismissal and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditors;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of external auditors to supply non-audit services. For this purpose, "external auditors" shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports (collectively, the "**Published Financial Reports**"), and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Published Financial Reports before submission to the Board, the Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments and non-adjusted differences resulting from audit or independent review, if any;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;
- (e) In regard to (d) above:
 - (i) members of the Audit Committee must liaise with the Board, senior management, the staff responsible for the accounting and financial reporting function of the Company (the "**Accounting Staff**") 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 such reports and accounts and must give due consideration to any matters that have been raised by the Accounting Staff, compliance officer or auditors of the Company;

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

- (f) 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 Group's risk management and internal control systems;
- (g) to discuss the risk management and internal control system with the management to ensure that management has discharged its duty to have effective systems, including the adequacy of resources, qualifications and experience of Accounting Staff, and their training programmes and budget of the Company's accounting and financial reporting function;
- (h) to consider any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) where an internal audit function exists, 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 the effectiveness of the internal audit function;
- (j) to review the Company's (together with its subsidiaries from time to time, the "**Group**") financial and accounting policies and practices;
- (k) to review the external auditors' management letter, any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

Others

- (m) to report to the Board on the matters set out in the code provisions as stated in Appendix 15 of the GEM Listing Rules; and
- (n) to consider other topics, as defined by the Board.

12. Reporting Procedures

- 12.1 The Audit Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the Chairman shall report the findings and recommendations of the Audit Committee to the Board.
- 12.2 The Chairman, or in the absence of the Chairman, a member of the Audit Committee or failing this his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to shareholders' questions.

13. Authority

- 13.1 Management shall be obliged to supply to the Audit Committee with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable.
- 13.2 The Audit Committee may exercise the following powers:
- (a) to seek any information it requires from any employee of the Company or its subsidiaries 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 GEM Listing Rules and other rules and regulations from time to time prescribed by the Stock Exchange and/or 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 procedures and systems;
 - (e) to review the performance of the Group's employees in the accounting and internal audit department;
 - (f) to make recommendations to the Board for the improvement of the Group's risk management and internal control procedures and systems;

- (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 external 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) where there is any disagreement between the Audit Committee and the Board on the selection, appointment, resignation or dismissal of the external auditors which cannot be resolved, to report its own recommendation on such matters to the shareholders in the Corporate Governance Report in the Annual Report.

14. Continuing applications of the articles of association of the Company and “A Guide for Effective Audit Committee”

- 14.1 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 terms of reference shall apply, mutatis mutandis, to regulate the meetings and proceedings of the Audit Committee.
- 14.2 The provisions of “**A Guide for Effective Audit Committee**” published by the Hong Kong Society of Accountants (as it was then known) in February 2002 shall, to the extent not inconsistent with the provisions of this terms of reference, be deemed to be incorporated into these this terms of reference, mutatis mutandis.

15. Powers of the Board

- 15.1 The Board may, subject to compliance with the articles of association of the Company and the GEM Listing Rules, amend, supplement and revoke the provisions of this terms of reference and any resolution passed by the Audit Committee provided that no amendments to and revocation of the provision of this terms of reference 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 such provisions or resolutions had not been amended or revoked.