

# **XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.**

## **Working Rules for the Audit Committee of the Board**

### **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** To improve the corporate governance structure, enhance the efficiency and decision-making of the board of directors, and establish and standardize the audit and risk management systems and procedures of Xinhua Winshare Publishing and Media Co., Ltd., the Company formulated these rules in accordance with laws, regulations and regulatory rules including the Company Law, the Code of Corporate Governance for Listed Companies, the Measures for the Administration of Independent Directors of Listed Companies, the Listing Rules and the Self-regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 1 – Standardized Operation, and relevant requirements of the Articles of Association of Xinhua Winshare Publishing and Media Co., Ltd. (the Articles of Association).

**Article 2** The Audit Committee (the Committee) is a special organ established by the board of directors which shall provide advice or recommendation for the decision-making of the board of directors, and hold responsibility for and report to the board of directors. Where a matter requires prior review by the Party Committee, the relevant prior review procedure of the Party Committee shall be followed in accordance with regulations.

**Article 3** These rules shall be applicable to the Committee and the relevant personnel and departments mentioned in these rules.

**Article 4** The Company shall provide necessary working conditions for the Committee, designate specific personnel or entities to deal with daily works, including liaison, organization of meetings, preparation of materials and documentation management, of the Committee. When the Committee performs its duties, the Company's management and relevant departments should cooperate.

### **CHAPTER 2 MEMBERSHIP**

**Article 5** The Committee shall be appointed by the board of directors (the Board) of the Company from the non-executive Directors, and any of its member shall not serve as a senior management of the Company. The Committee shall consist of not less than three members, with a majority being independent non-executive Directors (the INED(s)), and at least one INED must be an accounting professional who meets the requirements of the Listing Rules. Employees' representatives among the Board may become Committee members.

Members of the Committee shall possess the professional knowledge and experience necessary to perform the duties of the Committee, shall not have any relationship with the Company that could affect their independent and objective judgment, and shall, in principle, be independent from the Company's day-to-day business and management affairs.

Members of the Committee shall diligently and effectively supervise and evaluate the Company's internal and external audit work, promote the establishment of effective internal controls and provide true, accurate and complete financial reports.

**Article 6** The Committee Convener (also referred to as the Committee Chairman) shall be appointed by the Board and shall be an INED and a qualified accounting professional serving as a member of the Committee.

**Article 7** A former partner of the accounting firm which is now responsible for auditing the Company's accounts shall be prohibited from acting as a member of the Committee for a period of two years commencing from the following dates, whichever is later:

- (i) the date on which he/she ceased to be a partner of the accounting firm;
- (ii) the date on which he/she ceased to have any financial interest in the accounting firm.

**Article 8** Subject to all other conditions under these rules, members of the Committee shall be nominated by the Chairman or by one-third of all Directors and elected by a majority of all Directors.

**Article 9** The term of office of a Committee member shall be identical to his/her term of office as the Director of the Company. Upon the expiry of the term, the re-elected Directors shall be eligible for re-election for successive terms. Any member who ceases to serve as a Director during his/her term shall be disqualified from being a Committee member automatically. The Board shall as soon as possible elect a successor.

Upon the proposal by the Chairman and after the discussion and approval by the Board, the Committee members may be adjusted during the term of office.

**Article 10** In the event that the resignation of any Committee member will result in the number of the Committee members to be less than three or the quorum (whichever is lesser), the resignation of such member shall become effective after the vacancy arising due to his resignation is filled by another successor, unless the Committee member resigns for the reason that his serving on the Committee during his tenure is non-compliant with the laws, regulations, regulatory rules, the Articles of Association and these rules. However, under all circumstances, the Board shall elect new Committee member as soon as possible.

**Article 11** Where the number of Committee members is less than the quorum for any reasons such as resignation, removal of a Committee member or otherwise, the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules.

### **CHAPTER 3 MEETING SYSTEM**

**Article 12** The meeting of the Committee shall only be held with the attendance of more than two-thirds of its members. The Company shall, in principle, provide relevant materials and information no later than three days prior to the meeting of the Committee.

**Article 13** Save for Article 12 of these rules, under normal circumstances, the chief financial officer (if any), or financial controller and internal audit and control officer (the Auditing Officer) shall be present at meetings of the Committee. Representative(s) of external auditor(s), Director(s) and senior management shall also be invited to be present at the meetings of the Committee, if necessary. Other employees who are responsible for the scope to be reviewed may also be invited.

**Article 14** The secretary to the Board shall be the secretary of the Committee who shall attend all meetings of the Committee.

**Article 15** Meetings of the Committee shall be held by way of physical meeting, and members of the Committee may also participate in a meeting of the Committee via video, conference telephone or similar communications equipment by means of which all persons participating in the meeting shall be able to hear the opinions of other participants. Participation in a meeting pursuant to this Article shall constitute presence in person at such meeting. The extraordinary meetings of the Committee may be held by means of communications.

**Article 16** The secretary to the Board, the audit department and other relevant departments shall conduct the preparatory work of the Committee meeting and provide the Committee with information necessary for performance of its duties.

**Article 17** The time of the Committee meeting shall be determined in such a way that all its members can receive notice within a reasonable time before the meeting, which shall be convened and presided over by the Committee Convener. When the Committee Convener fails or refuses to perform the duties, a majority of the Committee members shall jointly appoint an independent Director to preside over the meeting.

**Article 18** The members of the Committee shall attend the meeting in person. When a member of the Committee fails to attend the meeting in person, he/she shall review the meeting materials in advance, give definite opinions and entrust another member to attend the meeting on his/her behalf in writing. When an independent Director fails to attend the meeting in person, he/she shall entrust another independent Director among the Committee to attend the meeting on his/her behalf.

**Article 19** If any member of the Committee fails to attend in person or entrust other member of the Committee as his/her representative to attend the meeting for two consecutive times, the Board may remove or replace the member.

**Article 20** Voting at the Committee meeting may be taken by show of hands, oral voting or by way of poll. Each member may cast one vote. All members attending the meeting shall choose either in favor of, against or abstain. If no choice is made or two or more intentions are selected at the same time, the convener of the Committee shall request the relevant member to re-select. If he/she refuses to select, he/she shall be deemed as abstaining; if a member leaves the venue during the meeting and does not return, therefore fails to make a choice, he/she shall be deemed as abstaining. Resolutions of Committee meetings shall be passed by the majority of all members.

**Article 21** If a member has a relationship with the resolutions of the Committee meeting, his/her shall abstain from voting on the resolution and shall not exercise any voting right on behalf of other members. Where the abstention of Committee members prevents the formation of valid deliberative opinions, the relevant matter shall be submitted to the Board for deliberation.

**Article 22** All the members present at a meeting shall be obliged to keep confidential as to all matters discussed at the meeting and shall not disclose such information without authorization.

#### **CHAPTER 4 FREQUENCY OF MEETINGS**

**Article 23** The Committee shall meet at least once every quarter, and an extraordinary meeting can be convened upon the proposal of two or more members, or when the convener deems necessary.

## **CHAPTER 5 PRIVATE MEETINGS**

**Article 24** If the Committee considers appropriate and expedient, the Committee may meet privately with the Auditing Officer and/or the external auditors in the absence of executive Directors or senior management.

## **CHAPTER 6 COMMITTEE'S RESOLUTIONS**

**Article 25** 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. Such resolution may be signed in counterparts consisting of several documents in the same form each signed by one or more of the members of Committee, all of which shall be deemed as the only and same written resolution. Such resolution may be signed and circulated by fax or other electronic communications. For the avoidance of doubt, this Article is without prejudice to any requirement under the laws, regulations, regulatory rules and Articles of Association for a Board or Committee meeting to be held.

## **CHAPTER 7 AUTHORITIES**

**Article 26** The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee or executive Directors and such persons are directed to co-operate with any request made by the Committee.

**Article 27** The Committee is authorized by the Board, and at the reasonable expense of the Company, to obtain external legal or other independent professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers necessary.

**Article 28** The Committee is authorized to approve the internal audit system of the Company.

**Article 29** The Committee is authorized to appoint, replace or remove the Auditing Officer of the Company.

**Article 30** The Committee is authorized by the Board to be responsible for the Company's environmental, social and governance (ESG) management and report to the Board.

**Article 31** The Committee is specifically responsible for the Company's risk management and the Board, and provides support for the Board to perform the risk management duties.

**Article 32** The Auditing Officer shall report to the Committee in the form as required by the Committee.

**Article 33** The audit plan, scope and results of the Company's audit department shall be reported to the Committee and the Committee shall review and approve such audit plan and scope.

**Article 34** The Committee shall report to the Board in a timely manner any suspected frauds or irregularities, non-compliances with risk management or internal control or suspected infringements of laws, regulations, regulatory rules or Articles of Association which come to its attention and are of sufficient importance to warrant the attention of the Board.

**Article 35** Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee shall provide an explanation of its view and the reasons why it has taken a view different from the Board, and include the same in the Corporate Governance Report of the Company in accordance with the relevant requirements under the Listing Rules.

The Committee shall be provided with sufficient resources to discharge its duties.

## **CHAPTER 8 GENERAL RESPONSIBILITIES**

**Article 36** The Committee shall serve as a focal point for communication among other Directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting systems, risk management, internal control, external and internal audits and such other matters as the Board determines from time to time.

**Article 37** The Committee shall assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting system, by satisfying themselves as to the effectiveness of risk management and internal control of the Company and its subsidiaries (the Group), and as to the adequacy of the internal and external audits.

**Article 38** The Committee shall fulfill other responsibilities as required by the Listing Rules amended from time to time.

## **CHAPTER 9 DUTIES**

**Article 39** The Committee shall be mainly responsible for monitoring and evaluating the work of external audit firms, and making proposal on the appointment and removal of external audit firm; monitoring and evaluating the Company's internal audit work; reviewing the Company's financial reports and expressing opinions thereon; reviewing the financial information of the Company and its disclosure; monitoring and evaluating the Company's internal control and risk management; coordinating communication between management, the internal audit firms and relevant departments with external audit firms; focusing on the Company's operation and reporting to the Board thereon; exercising the powers and duties of the supervisory committee as stipulated in the Company Law; being responsible for the corporate governance, compliance management, management of the related party transactions and ESG management as authorized by the Board. Meanwhile, the Committee shall provide assistance and support to the Board in fulfilling its compliance management duties.

The Committee shall report to the Board and make recommendations on the matters in respect of any measures or improvements it deems necessary.

The specific duties of the Committee are:

(I) Relationship with the Company's external auditors

1. to act as the principal representative between the Company and the external auditor, and monitor the relationship between the two parties.
2. to be responsible for selecting and appointing the accounting firm, supervising the progress of its audit work, including but not limited to formulating policies, processes and relevant internal control systems for the selection and appointment of the accounting firm in accordance with the authorization of the Board, proposing to initiate the selection and appointment process, reviewing selection and appointment documents, determining evaluation factors and specific scoring criteria, and supervising the selection and appointment process; to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, to review the remuneration and terms of engagement of the external auditors and make written recommendations to the Board, and to handle any questions of resignation or dismissal of the external auditors, without undue influence from the substantial shareholders, de facto controller or directors and senior management of the Company.
3. to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit procedures.
4. to procure the external auditor to be honest, trustworthy, and diligent in strict compliance with business rules and industry self-discipline norms, strictly implement the internal control system, conduct the inspection and verification over the financial and accounting reports of the Company, perform the special care obligations, and prudently give professional opinions; and to supervise and evaluate the audit work of the audit firm, regularly (at least annually) submit an assessment report on the performance of the appointed accounting firm and a report on the Committee's fulfillment of its supervisory responsibilities to the Board.
5. to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences.
6. to formulate policy on the engagement of the external auditors to supply non-audit services and monitor its implementation.

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 Committee shall report to the Board and make recommendations on the matters in respect of any actions or improvements it deems necessary.



(II) Review of financial information of the Company and supervision of the rectification of issues related to financial accounting reports

1. to monitor authenticity, accuracy and integrity of the financial statements of the Company and the Company's annual reports, accounts, interim reports and quarterly reports, and to review significant financial reporting judgments contained therein. If any Committee member is unable to ensure the authenticity, accuracy and integrity of the financial information in the periodic reports, or has any objections, they shall vote against or abstain during the Committee's review of the reports. In this regard, the Committee shall specifically address the following matters when submitting relevant statements and reports to the Board:

- (1) any changes to accounting policies and practices;
- (2) significant accounting and auditing issues;
- (3) possibility of fraud, misconduct and material misstatements related to financial accounting reports;
- (4) major judgmental areas;
- (5) significant adjustments resulting from audit;
- (6) the going concern assumptions and any qualifications;
- (7) compliance with accounting standards;
- (8) compliance with requirements under the Listing Rules and legal requirements in relation to financial reporting.

2. in this regard:

- (1) members of the Committee shall liaise with the Board and senior management (the Management). The Committee shall meet, at least twice a year, with the Company's external auditors;
- (2) the Committee shall 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 Company's staff responsible for the accounting and financial reporting functions, the Auditing Officer or external auditors.

3. where a financial accounting report published by the Company contains false representations, misleading statements or material omissions and is disclosed in accordance with relevant regulations, the Committee shall supervise the relevant responsible departments of the Company to formulate rectification measures and the timeframe of rectification, conduct follow-up reviews, supervise the implementation of the rectification measures and disclose the completion of the rectification in a timely manner.

(III) Overseeing the Company's financial reporting system, risk management and internal control procedures

1. to review the Company's financial control, internal control and risk management mechanism.
2. to discuss with the management the system of risk management and internal control and ensure that the management has discharged its duty to establish an effective risk management and internal control system, including taking into consideration the sufficiency in resources, qualification and experience of staff of the Company's accounting and financial reporting function, and their training programs and budgets.
3. unless otherwise specified by laws and regulations, to supervise the internal audit institution, in accordance with regulatory rules, conduct inspections at least semi-annually on the implementation of major events such as the use of proceeds raised by the Company, provision of guarantees, related party transactions, securities investments and derivatives trading, provision of financial assistance, purchase or sale of assets, and external investments, as well as large-scale fund transaction within the Company and fund transactions involving Directors, senior management, controlling shareholders, de facto controller and their affiliates, and to fulfill corresponding reporting procedures.
4. to monitor and assess the internal audit work, including the following duties:
  - (1) to guide and supervise the establishment and implementation of the internal audit system;
  - (2) to review the annual internal audit work plan of the Company;
  - (3) to supervise the implementation of internal audit plans of the Company;
  - (4) to guide the effective operation of the internal audit institution;
  - (5) to report to the Board on the progress and quality of internal audit work and major problems identified;
  - (6) to coordinate the relationship between the internal audit institution and the external audit units including accounting firms and national audit institutions.



The internal audit institution is accountable to the Board and reports its work to the Committee. During the course of its oversight and inspection activities, the internal audit institution shall accept supervision and guidance from the Committee. Should the internal audit institution uncover any significant issues or leads concerning the Company, it shall immediately report directly to the Committee.

5. to study any findings of major investigations of risk management and internal control matters and management's response on its own initiative or as delegated by the Board.
  6. to ensure employees of the Company can, in secrecy, raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation on these matters and for appropriate follow-up actions.
  7. to ensure co-ordination between the internal and external auditors of the Company, 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.
  8. to review the Group's financial and accounting policies and practices.
  9. to review the external auditor's letter to the management, any material queries raised by the auditors to the management in respect of the accounting records, financial accounts or systems of control and management's response.
  10. to ensure that the Board will provide a timely response to the issues raised in the "Letter Explaining the Audit Circumstances" given by the external auditor to the management.
  11. to report to the Board on the above matters.
  12. to consider other topics, as defined by the Board.
- (IV) Exercising the functions and powers of the supervisory committee as stipulated in the Company Law
1. to inspect the financial affairs of the Company.
  2. to supervise the performance of duties by the Directors and senior management. If the Committee finds that Directors or senior management violate the laws, regulations, regulatory rules or the Articles of Association, it shall notify the Board or report to the general meeting, and disclose the matter in a timely manner, or directly report to regulatory authorities. In the course of performing its supervisory duties, the Committee may propose the removal of Directors and senior management who have violated the laws, administrative regulations, the Articles of Association or resolutions of the general meeting.

3. when the acts of Directors and senior management are detrimental to the Company's interests, to require the Directors and senior management to correct these acts.
4. to propose the convening of extraordinary general meetings and to convene and preside over general meetings when the Board fails to perform the duty of convening and presiding over general meetings under the Company Law.
5. to submit proposals to the general meetings.
6. to institute legal proceedings against the Directors and senior management in accordance with Article 189 of the Company Law.

(V) Corporate governance

1. to formulate and review the corporate governance policy and practice of the Company and make recommendations to the Board.
2. to review and monitor the trainings and continuing professional development of the Directors and Management.
3. to review and monitor whether the Company's policy and practice are in compliance with legal and regulatory requirements.
4. to formulate, review and monitor the Code of Conduct and Compliance Manual, if any, of the employees and Directors.
5. to report to the Board in respect of the matters set out in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

(VI) Related party transaction

1. to supervise and inspect the Company's related party identification process.
2. to conduct regular supervision and inspections of the implementation of related party transactions.
3. to provide professional advice to the Board on matters related to related party transaction management.

(VII) ESG management

1. to review the Company's ESG performance, policy implementation and target achievement on a regular basis.
2. to review and evaluate ESG reports.
3. to provide professional advice on ESG decision-making to the Board.

(VIII) Performing compliance management duties

1. to examine and evaluate the progress of compliance management and the achievement of targets.
2. to review the fundamental system for compliance management of the Company.
3. to review the evaluation report on compliance management of the Company.
4. to report to the Board on the implementation of compliance management of the Company.
5. to consider major issues related to the compliance management of the Company that are submitted to the Board for decision.

(IX) Effective communications

The Committee Convener or (in case of the absence of the Convener) another Committee member on his behalf or (in case of the absence of such Committee member) an authorized representative of the Committee shall attend the annual general meeting of the Company to answer questions.

(X) Other duties

Notwithstanding Clauses (I) to (IX) of this Article, the Committee shall also perform the following duties:

1. the Committee shall have regular meetings with the chief financial officer, audit department and external auditors of the Company to exchange views on the issues relating to the financial reports, analyses and assessments conducted by the Company on the sufficiency and effectiveness of the risk management and internal control system, and any fraudulent act.
2. when necessary, the Board shall exchange views on potential misconduct with the Committee, audit department and external auditors.
3. other matters as required by laws, regulations, regulatory rules (including but not limited to the Listing Rules), the Articles of Association and authorized by the Board.

**Article 40** The following matters shall be submitted to the Board for consideration after approval by a majority of all members of the Committee:

- (i) disclosure of financial information in financial and accounting reports and periodic reports, and evaluation reports on internal control;
- (ii) appointment or dismissal of accounting firms engaged in audit business for listed companies;
- (iii) appointment or dismissal of the chief financial officer of listed companies;

- (iv) changes in accounting policies and accounting estimates made for reasons other than changes in accounting standards, or corrections of material accounting errors;
- (v) other matters as required by laws, regulations, regulatory rules and the Articles of Association.

## **CHAPTER 10 REPORTING PROCEDURES**

**Article 41** The internal audit institution of the Company shall report its work to the Committee. All audit reports submitted by the internal audit institution to management, along with rectification plans and progress reports for identified audit issues, shall be concurrently submitted to the Committee.

**Article 42** The Committee shall report to the Board. At the next Board meeting following the Committee meeting, the Committee Convener shall report the findings and recommendations of the Committee to the Board.

**Article 43** Materials of the Committee meetings, including full minutes, shall be prepared in accordance with relevant regulations and kept by the Committee Secretary for a period of no less than ten years. Draft and final versions of minutes of Committee meetings shall be sent to all members of the Committee for their comments and records respectively, in both cases within a reasonable time after the meeting.

**Article 44** Copies of the minutes of meetings of the Committee shall be provided by the Committee Secretary to the Board.

**Article 45** In addition to information required to be given according to the requirements of the Listing Rules, the Company shall also disclose the following information to the shareholders in its annual reports: membership list of the Committee, independence, scope of work, number of meetings held during the reporting period and the attendance of each member.

**Article 46** The Committee shall submit an annual working report to the Board one month prior to the annual general meeting every year, which shall set out the followings:

- (i) audit results on quarterly, interim and annual financial statements;
- (ii) work appraisal on the external auditors, including the assessment of independence, service quality, whether the fees are reasonable and recommendations on re-appointment or replacement;
- (iii) evaluation of the Company's internal audit, the effectiveness on the implementation of the internal audit system and whether the Company's financial report is complete and accurate;
- (iv) evaluation of the establishment and effectiveness on the implementation of the Company's internal control and risk management mechanism;
- (v) whether the Company's material related party transactions are in compliance with the disclosure requirements in financial statements under the relevant laws and regulations and the Articles of Association;

- (vi) work appraisal on the audit department (including the persons in charge) of the Company;
- (vii) ESG management;
- (viii) due diligence of the members of the Committee;
- (ix) other relevant matters.

**Article 47** The Committee shall circulate the minutes of its meetings to the Board in a timely manner so as to keep the Board abreast of the work conducted by the Committee. Reports and minutes of meetings submitted to the Board shall be duly approved by the Committee before submitting to the Board.

## **CHAPTER 11 RULES FOR ANNUAL REPORTING WORK**

**Article 48** Upon the end of each accounting year, the Committee shall, prior to the commencement of the annual audit work, be responsible to discuss with the certified public accountant engaged in the annual audit work to ascertain the schedule of the audit work for the annual financial reporting.

The Committee shall supervise the certified public accountant to submit the audit report within the time agreed and the manner, frequency and the result of the supervision shall be recorded in writing with confirmation signed by the relevant person-in-charge.

**Article 49** The Committee shall, after the commencement of work of the Certified Public Accountant for Annual Audit, strengthen the communication with the Certified Public Accountant for Annual Audit and further review the Company's financial statements and formulate written opinion after the issue of initial audit opinions by the Certified Public Accountant for Annual Audit.

**Article 50** The Committee shall vote on the annual financial report and submit the resolution to the Board for review; meanwhile, it shall also submit to the Board the summary report for the Company's annual audit work undertaken by the certified public accountant and the proposal for re-appointment or new appointment of certified public accountant for the subsequent year.

When disclosing its annual report, the Company shall simultaneously disclose the annual performance of the Committee, including mainly the fulfillment of its duties and the convening of meetings of the Committee.

Where the Committee proposes a review opinion to the Board of the Company within its terms of reference, which is set aside by the Board, the Company shall disclose such matter with full explanation of the reasons.

## **CHAPTER 12 SUPPLEMENTARY PROVISIONS**

**Article 51** Unless otherwise specifically stated, the expressions used in these rules shall have the same meanings as those in the Articles of Association.

**Article 52** These rules shall be effective and implemented from the date of approval by the Board.

**Article 53** These rules shall be published on the Company's website and the website designated by the stock exchange(s) where the Company is listed, in accordance with the requirements of the stock exchange(s) where the Company is listed.

**Article 54** These rules shall be interpreted and amended by the Board.