



# 喜尚控股有限公司

## GAYETY HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code : 8179)

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

- (1) The function of an Audit Committee is seen as assisting the Board in providing an independent review of the effectiveness of the financial reporting process, risk management system and internal control of the company, overseeing the internal and external audit process and performing other duties and responsibilities. The Board together with the chairman of the audit committee ensure the audit committee is provided with sufficient resources to discharge its duties.

#### Membership

- (2) The committee members of the audit committee shall consist of not less than three members appointed by the Board, all of whom shall be non-executive directors and independent non-executive directors and a majority of whom shall be independent non-executive directors. In compliance with the requirement of the rule 5.05(2) of the GEM Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The quorum for a meeting shall be two members.
- (3) A former partner of the Company's existing auditing firm (the "Firm") should be prohibited from acting as a member of the Company's audit committee for a period of one year from 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 later.

- (4) The chairman of the audit committee shall be appointed by the Board and must be an independent non-executive director. In the absence of such chairman, the committee members present shall choose one of their number to act as chairman to chair the meeting.

#### Attendance at Meeting

- (5) The Finance Director, the Head of Internal Audit, and a representative of the external auditors shall normally attend meetings. However, at least once a year the committee shall meet with the external and internal auditors without executive Board members present. The secretary of the audit committee shall be the Chief Financial Officer or any other person appointed by the chairman of the audit committee. In the absence of such secretary, the chairman of the audit committee shall appoint another person to be the secretary of that meeting (the "Secretary").

#### Frequency and proceedings of meetings

- (6) The audit committee should hold meetings at least four times per year, and the committee would normally meet prior to the finalisation of the interim and year end accounts to discuss any issues arising from them. In addition, the chairman of the audit committee may at his discretion, or at the request of the Board or senior management convene special meetings to discuss

substantial control or financial matters. The external auditor can also request to convene a meeting when they considers necessary. The committee members may from time to time adopt the proceedings for convening a meeting, and the proceedings and means of passing the resolutions by the audit committee.

#### **Authority**

- (7) The audit 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.
- (8) The audit 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.
- (9) Where the Board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall arrange for the Corporate Governance Report to include an explanation of the audit committee's view and the reasons why the Board has taken a different view.

#### **Duties**

- (10) The duties of the Committee shall be:

##### *Relationship with the external auditors*

- (a) to consider and make recommendations to the Board on the following matters:
  - (i) the appointment, re-appointment and removal of the external auditor;
  - (ii) the remuneration and terms of engagement of the external auditor; and
  - (iii) any questions of resignation or dismissal of that auditor.

by taking into account of the quality and the scope of the audit, the quality of the audit service, the quality of the control procedures of the audit firm, the relationship between the external auditor and the Company, and the independency of the auditor;

- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards issued from time to time by HKSA. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved;
- (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 audit committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

##### *Review of the Company's financial information*

- (d) to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly 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 GEM Listing Rules and legal requirements in relation to financial reporting;
- (e) regarding (d) 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 Company's 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 and internal control procedures*

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
- (h) 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;
- (i) to review the draft representation letter prior to approval by the Board;
- (j) where the 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 its effectiveness;
- (k) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (l) to review the Group's financial and accounting policies and practices;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) where necessary, 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 audit committee about possible improprieties in any matter related to the Company;

- (p) act as the key representative body for overseeing the Company's relations with the external auditor;
- (q) to report to the Board on the matters in the code provisions contained in the Code of Corporate Governance Practices set out in (as amended from time to time) Appendix 15 of the GEM Listing Rules;
- (r) do any such things to enable it to perform its duties conferred on it by the Board; and
- (s) to consider other topics, as defined by the Board.

#### **Other Procedures**

- (11) The chairman of the audit committee shall liaise with the secretary of the audit committee before drafting and approving the agenda of every audit committee's meetings. The chairman of the audit committee, with the assistance of the chief financial officer, shall ensure all the committee members receive with adequate information in a sufficient time which facilitate the effective discussion at the meeting, and give due explanation to any matters that have been raised by the committee members at the audit committee meeting. The secretary shall record the proceedings of the meeting at each duly convened audit committee meeting. Full minutes should record in sufficient detail the matters considered by the committee, decision reached or recommendation made, and including any concerns raised by any committee members or the external auditor or dissenting views expressed. The secretary to the Audit Committee shall circulate the draft and final version of the minutes of meetings of the Audit Committee to all committee members for their comment and record within a reasonable time after each meeting. At the next meeting of the Board following a meeting of the committee, the chairman of the committee shall report to the Board on the findings and recommendations of the committee.

#### **Miscellaneous**

- (12) This revised terms of reference of the audit committee was adopted by passing of the relevant resolutions by the Board on 23 March 2012 and shall have immediate effect.

*The Chinese version of this document is for reference only. In case of any discrepancies or inconsistency between the English version and Chinese version, the English version prevails.*