



## **EEKA Fashion Holdings Limited**

**贏家時尚控股有限公司**

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

**(Stock Code: 3709)**

**(the “Company”)**

### **Terms of reference of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of the Company**

#### **1. Constitution**

- 1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 6 June 2014 with its responsibilities.
- 1.2 Subject to the regulations contained in the Companies Law of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the articles of association of the Company, the procedures of the Committee shall be regulated by the provisions set out in these terms of reference.

#### **2. Membership**

- 2.1 Members of the Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members, all of whom shall be non-executive directors and at least one of the Committee members shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. The majority of the Committee members shall be independent non-executive directors of the Company.
- 2.2 The Chairman of the Committee (the “**Chairman**”) shall be appointed by the Board and shall be an independent non-executive director.
- 2.3 A former partner of the Company’s existing authorized independent auditors (“**External Auditors**”) is prohibited from acting as a Committee member for a period of two years from the date of such person ceasing to: (a) be a partner of the external auditing firm; or (b) have any financial interest in the external auditing firm, whichever is later.
- 2.4 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.
- 2.5 The constitution of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.

### **3. Frequency and proceedings of meetings**

- 3.1 The Committee should meet at least two times per year. The Chairman may convene additional meetings at his/her discretion.
- 3.2 The Committee shall meet with the External Auditors at least twice a year. At least one of the said meetings should be held in the absence of management.
- 3.3 Notice of Meeting
  - (a) Unless otherwise agreed by all the Committee members, a Committee meeting shall be convened by at least seven days' notice.
  - (b) A Committee member may at any time summon a Committee meeting.
  - (c) Notice shall be given to each Committee member in person orally or in writing or by telephone or by facsimile transmission or email at numbers or addresses from time to time notified to the secretary of the Company by such Committee member or in such other manner as the Committee members may from time to time determine.
  - (d) Any notice given orally shall be followed by confirmation in writing before the Committee meeting.
  - (e) Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the Committee meeting. Such agenda and other documents should be sent in a timely manner and at least three days before the intended date of a meeting (or other period agreed by the Committee).
- 3.4 The quorum for the Committee meeting shall be two members of the Committee, one of whom must be an independent non-executive director.
- 3.5 The company secretary or either one of the joint company secretaries shall act as the secretary of the Committee.
- 3.6 The Committee may from time to time, appoint any other person with appropriate qualification and experience to act as secretary of the Committee.
- 3.7 Other Board members shall also have the right of attendance.
- 3.8 The resolution of the Committee should be passed by more than half of the members.

#### 4. **Written resolutions**

Written resolutions may be passed by all Committee members in writing. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

#### 5. **Alternate Committee members**

Except for the situation as specified in 7.21 below, a Committee member may not appoint any alternate.

#### 6. **Authorities**

6.1 The Committee is granted the authority to investigate any activity within these terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6.2 The Committee shall report to the Board any suspected frauds and irregularities, failures of risk management or internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

6.3 The Committee should be provided with sufficient resources to perform all of its duties.

#### 7. **Duties**

The duties of the Committee shall be to:

7.1 serve as a focal point for communication between other directors, the External Auditors and the internal auditors or any person responsible for internal audit function ("**Internal Auditors**") as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.

7.2 assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial and other reporting, by satisfying themselves as to the effectiveness of the risk management and internal controls of the Company and its subsidiaries (the "**Group**"), and as to the adequacy of the external and internal audits.

*Maintain relationship with the Company's External Auditors*

7.3 be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the External Auditors, and approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal.

- 7.4 review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the External Auditors 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. Procedures to review and monitor the independence of External Auditors may include:
- (a) considering all relationships between the Group and the External Auditors (including non-audit services);
  - (b) obtaining from the External Auditors annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - (c) meeting with the External Auditors, at least once annually, in the absence of management, to discuss matters relating to audit fees, any issues arising from the audit and any other matters the External Auditors may wish to raise.
- 7.5 develop and implement policy on engaging the External Auditors to supply non-audit services. For the purpose of this 7.5, "External Auditors" 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 knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed. The Committee should ensure that the External Auditors' provision of non-audit services does not impair its independence or objectivity. When assessing the External Auditors' independence or objectivity in relation to the provision of non-audit services, the Committee may wish to consider:
- (a) whether the skills and experience of the External Auditors make it a suitable supplier of non-audit services;
  - (b) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the External Auditors provide non-audit services;
  - (c) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the External Auditors; and
  - (d) criteria for compensation of the individuals performing the audit.
- 7.6 review with External Auditors and Internal Auditors, the Group's management, the adequacy of the Group's policies and procedures regarding risk management and internal controls (including financial, operational and compliance controls) and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;

*Review the Company's financial information*

7.7 monitor integrity of the Company's financial statements, annual report and accounts, half-year reports and, if prepared for publication, quarterly report (including Directors' Report, Chairman's Statement and management discussion and analysis), and review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments resulting from the audit;
- (d) the going concern assumption and any qualifications;
- (e) compliance with accounting and auditing standards; and
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.

7.8 regarding 7.7 above:

- (a) members of the Committee should 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
- (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and should give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, the compliance officer of the Company or External Auditors;

*Oversee the Company's financial reporting system, risk management and internal control systems*

7.9 review the Company's financial controls, risk management and internal control systems;

7.10 discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. 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;

7.11 consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to those findings;

- 7.12 where an internal audit function exists, ensure co-ordination between Internal Auditors and the External Auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- 7.13 review the Group's financial and accounting policies and practices;
- 7.14 review the External Auditor's management letter, any material queries raised by the External Auditor to management about accounting records, financial accounts or system of control and management's response;
- 7.15 act as the key representative body for overseeing the Company's relations with the External Auditor;
- 7.16 ensure that the Board will provide a timely response to the issues raised in the External Auditor's management letter;
- 7.17 report to the Board on the matters set out in the Code Provision D.3 of the Appendix 14 (Corporate Governance Code) to the Listing Rules;
- 7.18 consider agreeing with the Board the Company's policies on hiring employees or former employees of the External Auditors and monitoring the application of these policies. The Committee should then be in a position to consider whether there has been or appears to be any impairment of the External Auditor's judgment or independence for the audit;
- 7.19 where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the External Auditors, arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's recommendation and the reasons why the Board has taken a different view;
- 7.20 attend annual general meetings of the Company, and be available to answer questions at such annual general meetings (*Note: the Chairman of the Committee shall attend annual general meetings of the Company; and in the Chairman's absence, another member of the Committee or failing this, the Chairman's duly appointed delegate, shall attend*);
- 7.21 make available the terms of reference, explaining the role of the Committee and the authority delegated to it by the Board by including them on the websites of The Stock Exchange of Hong Kong Limited and the Company;
- 7.22 review and approve the Company's assessment of the corruption risks to which it is subject and the framework of controls put in place to mitigate those risks, including but not limited to the Group's policies on anti-bribery and anti-corruption, and risk management;
- 7.23 formulate, monitor and oversee compliance with the anti-bribery, anti-corruption and whistle-blowing policies and systems of the Company (including reviewing such policies to ensure they remain effective and adequate for the purpose of the applicable

laws and regulations and making recommendations to the Board for any amendments to the policies where necessary) so that the employees and other persons (e.g. customers and suppliers) who have connections with the Company can, in confidence, report to the Audit Committee concerns about any impropriety in financial reporting, internal control or other matters relating to the Company and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

7.24 review the Company's findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations; and

7.25 consider other topics as defined by the Board.

## **8. Reporting Procedures**

8.1 Full minutes of the meetings of the Committee (which should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed) shall be kept by a duly-appointed secretary of the meeting and shall be open for inspection at any reasonable time on reasonable notice by any director of the Company. The duly-appointed secretary of the meeting shall circulate the draft and final version of minutes of meeting to all members of the Committee for their comment and records within a reasonable time after the meeting is held, and circulate the final version of minutes of meeting to all directors of the Company within a reasonable time after the meeting is held. The procedures set out in this 8.1 shall also apply to the written resolutions of the Committee as referred to in 4 above.

8.2 The Chairman shall report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

## **9. Continuing application of the articles of association of the Company**

The articles of association of the Company regulating the meetings and proceedings of the directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

## **10. Powers of the Board**

The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including Appendix 14 (Corporate Governance Code) to the Listing Rules), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

## **11. Interpretation**

The power to interpret these terms shall rest in the Board.

*(The English version shall always prevail in case of any inconsistency between the English version and its Chinese translation.)*