



**Goodbaby International Holdings Limited**

**好孩子國際控股有限公司**

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

**(Stock code: 1086)**

(hereinafter referred to as the “**Company**”)

**Audit Committee – Terms of Reference**

**1. Membership**

- 1.1 The audit committee of the Company (the “**Audit Committee**”) shall be appointed by the board of directors of the Company (the “**Board**”) and should comprise a minimum of three members (the “**Members**”).
- 1.2 The Members shall be appointed from amongst the non-executive directors of the Company. Majority of the Members should be independent non-executive directors (the “**independent non-executive directors**”) of the Company, at least one of whom is an independent non-executive director with professional qualifications or accounting or related financial management expertise.
- 1.3 The Board shall appoint the chairman of the Audit Committee (the “**chairman**”). The chairman must be an independent non-executive director.
- 1.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of two years from the date of the person ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
- 1.5 The term of appointment of each member of the Audit Committee shall be determined by the Board upon appointment.

**2. Secretary**

- 2.1 The company secretary of the Company shall be the secretary of the Audit Committee.
- 2.2 The Audit Committee may from time to time appoint another secretary with appropriate qualification and experience.

**3. Meetings**

- 3.1 Meetings of the Audit Committee shall be held not less than two times a year. Additional meetings should be held as and when the external auditor of the Company demands.

- 3.2 Notice of each meeting of the Audit Committee shall be dispatched at least fourteen (14) days before the date of the meeting, unless otherwise agreed unanimously by all members of the Audit Committee, to waive such notification. Notwithstanding the notification period, the attendance of each Member of the Audit Committee at the meeting shall be deemed as a waiver of the required notification period. In relation to any continued meetings held within fourteen (14) days, no notice is required.
- 3.3 The quorum of Audit Committee meetings shall be two Members, one of whom must be an independent non-executive director.
- 3.4 Meetings may be held in person, by way of telephone or video conferencing. The Members may attend meetings either in person, by telephone or through other electronic means of communication (all parties participating in the meeting should be audible during the meeting).
- 3.5 Resolutions of the Audit Committee shall be passed with a majority of votes.
- 3.6 Resolutions signed by all Members of the Audit Committee will be treated valid as if it is passed in the meeting held by the Audit Committee.
- 3.7 Full minutes of the Audit Committee meetings shall be kept by the duly delegated secretary of the meeting. Draft and final versions of minutes shall be sent respectively to all Members. Draft version is for the Members' comments; the final version is for record purpose.

#### **4. Attendance of Meetings**

- 4.1 The Audit Committee shall attend meetings at least twice a year with the external auditors without presence of executive directors of the Company (except those invited by the Audit Committee).
- 4.2 Upon invitation by the Audit Committee, the following persons may attend the meetings: (i) the head of internal audit (in case of his absence) or representative of internal audit; (ii) the chief financial officer (or any officer of the same position); (iii) other Board members.
- 4.3 Only the Members shall have the voting powers at the meetings.

#### **5. Annual General Meetings**

The chairman of the Audit Committee (in case of his absence), a member of the Audit Committee (who must be an independent non-executive director) shall attend the annual general meetings of the Company and be prepared to respond to any shareholders' questions on the Audit Committee's activities and responsibilities.

#### **6. Responsibilities and Powers**

The duties of the Audit Committee is to review and monitor the financial reporting, risk management and internal controls systems and to assist the Board

in fulfilling its responsibilities. The Audit Committee has the following responsibilities and powers:

6.1 Relationship with the Company's external auditors

- 6.1.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any issues related to its resignation or dismissal;
- 6.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6.1.3 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;
- 6.1.4 to report to the Board, to identify and to make recommendations on any matters where action or improvement is needed;

6.2 Review of the Company's financial information

- 6.2.1 to monitor the integrity of the Company's financial statements and annual report and accounts and half-year report and, if any, quarterly reports, and to review significant financial reporting judgments contained therein, and to review these reports before submission to the Board, focusing particularly on:
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 6.2.2 with regard to paragraph 6.2.1 above,
  - (a) the Members of the Audit Committee should liaise with the Board and senior management of the Company; the Audit

Committee must meet, at least twice a year, with the external auditor; and

- (b) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and 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, or compliance officer or auditors;

### 6.3 Overseeing of the Company's financial reporting system, risk management and internal control systems

- 6.3.1 to review the Company's financial controls, and unless expressly addressed by a separate board risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- 6.3.2 to 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 adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 6.3.3 to 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 these findings;
- 6.3.4 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 its effectiveness;
- 6.3.5 to review the financial and accounting policies and practices of the Group;
- 6.3.6 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;
- 6.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.3.8 to be appointed as the major representative between the Company and external auditor; responsible for monitoring the relationship between the parties;
- 6.3.9 to review the arrangements set out by the Company: to 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 to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

6.3.10 to report to the Board on the relevant matters of the code provisions in appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

6.3.11 to study any topics defined by the Board; and

6.3.12 to 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.

## **7. Reporting responsibilities**

After each meeting, the Audit Committee shall report formally to the Board.

## **8. Authority**

8.1 The Audit Committee is authorized by the Board to access to all accounts, accounting books and records of the Company.

8.2 The Audit Committee has the powers to request the management of the Company to provide any data related to the financial positions of the Company, its subsidiaries or associated companies which are necessary for it to discharge its duties.

8.3 Any Audit Committee member who is a director, under appropriate situation, may seek independent professional advice, to discharge his duties to the Company as the responsibility of Audit Committee member at the Company's expense.

*Note: The arrangement for obtaining such independent professional advice may be made through the chief financial officer or the company secretary.*

8.4 The Audit Committee shall have access to sufficient resources in order to perform its duties.

*Note: "Senior management" refers to the same persons referred to in the Company's annual report. The Directors of the Company shall be responsible for determining which individual (one or more) is/are the senior management. The senior management includes the directors of subsidiaries of the Company; as well as the officers in-charge of other divisions, departments or operating units in the Group, considered by the Directors of the Company as appropriate.*

*Adopted by the Board on 5 November 2010, and amended on 16 March 2012, 24 August 2015 and 14 December 2018.*