



## GLOBAL MASTERMIND HOLDINGS LIMITED

### 環球大通集團有限公司\*

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

**(Stock Code: 8063)**

#### **TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

**(Re-adopted by the Company pursuant to the Board resolution passed on 30 December 2015)**

#### **Constitution**

1. The audit committee (the “**Committee**”) is established pursuant to a resolution passed by the board of directors of the Company (the “**Board**”) of Global Mastermind Holdings Limited (the “**Company**”) on 19 October 2000.

#### **Purpose**

2. The purpose of the Committee is to assist the Board in:
  - (a) ensuring that the Company has an effective financial reporting, risk management and internal control systems;
  - (b) overseeing the integrity of the financial statements of the Company;
  - (c) selecting and assessing the independence and qualifications of the Company’s external auditor; and
  - (d) ensuring effective communication between the Company’s directors, internal auditor (or the external professional reviewer on risk management and internal control systems of the Company) and external auditor.

*\*For identification purposes only*

## **Membership**

3. The Committee shall be appointed by the Board from amongst the non-executive directors only and shall consist of not less than three members, a majority of whom, including the chairman, shall be independent non-executive directors.
4. At least one of the independent non-executive directors serving as a member of the Committee shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).
5. A former partner of the existing auditing firm of the Company shall not act as a member of the Committee for a period of one year from the date of his ceasing (a) to be a partner of such firm; or (b) to have any financial interest in the firm, whichever is later.
6. If a member resigns, ceases to be a director or for any other reason ceases to be a member of the Committee resulting in the number of members to fall below the minimum, the Board shall, within three months of that event, appoint such number of new members as may be required to make up the minimum.

## **Chairman**

7. The chairman of the Committee (the “**Chairman**”) shall be an independent non-executive director nominated by the Board.

## **Secretary**

8. The company secretary or the financial controller of the Company or any person appointed by the Committee shall be the secretary of the Committee (the “**Secretary**”). In the absence of the Secretary, the members present shall elect one of themselves or appoint another person as the secretary for that meeting.

## **Frequency of meetings**

9. The Committee shall meet not less than four times a year. Additional meetings may be held as and when required.

10. The Committee shall meet with the external auditor at least twice a year. The external auditor may request a meeting if necessary.

### **Notice of meetings**

11. A meeting of the Committee may be convened by any of its members.
12. Unless otherwise agreed by all the members of the Committee, notice of each meeting stating the time, date and place of the meeting shall be given to each member of the Committee and any other person invited to attend at least fourteen days prior to the date of the meeting.
13. The agenda and any supporting documents and papers shall be forwarded to each member of the Committee and any other person invited to attend at least three days prior to the date of the meeting (or such other period as the members may agree).

### **Proceedings of meetings and resolutions**

14. No business shall be transacted at any meeting of the Committee unless a quorum is present. The quorum of a meeting shall be two members of the Committee (at least one of whom should be an independent non-executive director).
15. Only members of the Committee have the right to attend Committee meetings. Other persons including but not limited to any director, management, external advisors or consultants may be invited by the Committee to attend for all or part of any meeting as and when appropriate.
16. Meetings of the Committee may be held either in person or through electronic means of communication or in such other manner as the members may agree.
17. Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present. Each member of the Committee shall have one vote. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.
18. 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. Any such resolution may be contained in a single document or may consist of several documents in like form each signed by one or more of the members of the Committee.

19. Draft and final versions of minutes of the Committee meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.
20. The Secretary shall cause full minutes to be made for all meetings of the Committee. Such minutes shall include sufficient details of the meetings including the attendances thereat, all business transacted, all resolutions passed and all orders made at such meetings. Any such minutes of any meeting, if purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting of the Committee, shall be sufficient evidence without any further proof of the facts therein stated.
21. Save as otherwise provided herein expressly, proceedings of meetings of the Committee shall be governed by the provisions of the articles of association of the Company for regulating the proceedings of meetings of the Board *mutatis mutandis*.

### **Authority**

22. The authorities of the Committee shall include such authorities set out in the relevant code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Appendix 15 of the GEM Listing Rules (as amended from time to time).
23. The 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.
24. The Committee is authorised by the Board to obtain any independent professional advice, at the Company’s expense, from any person if it considers it necessary to perform its duties.
25. The Committee is to be provided with sufficient resources to discharge its duties.

### **Duties and functions**

26. The duties and functions of the Committee shall include such duties and functions set out in the relevant code provisions of the Corporate Governance Code. Without prejudice to the foregoing, the Committee shall:

## Relationship with the Company's external auditor

- (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) 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 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) monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and review significant financial reporting judgments 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 of the Company and the Committee must meet, at least twice a year, with the Company's external auditor; 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 external auditor.

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

- (f) review the systems of the Company on financial controls, internal control and risk management;
- (g) 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;
- (h) 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;
- (i) where an internal audit function exists or external professionals engaged to review risk management and internal control systems of the Company, review the relevant internal audit programme, ensure co-ordination between the internal auditor (or the external professional reviewer on risk management and internal control systems of the Company) and external auditor, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (j) review the group's financial and accounting policies and practices;
- (k) review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) review the arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (n) act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) report to the Board on the matters set out herein; and
- (p) consider other topics, as defined by the Board.

## **Reporting Procedures**

27. The Committee shall report directly to the Board on its findings, decisions and/or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements). At the next meeting of the Board following a meeting of the Committee, the Chairman shall report the findings, decisions and/or recommendations of the Committee to the Board. The Secretary shall also circulate the minutes of meetings, reports and/or written resolutions (if any) of the Committee to all members of the Board.

## **Audit Committee Report**

28. The work of the Committee during each financial year shall be summarised and included in the corporate governance report which constitutes part of the annual report of the Company.

29. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the corporate governance report in the annual report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

## **Annual General Meeting**

30. The Chairman or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Committee's work and its responsibilities.

## **Amendment**

31. Subject to the compliance with the articles of association of the Company and the GEM Listing Rules, any amendment to these terms of reference shall be authorised by the Board.

## **Publication**

32. The Committee shall make available these terms of reference by publishing them on the websites of the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the Company.

*Note: If there is any inconsistency between the English and Chinese versions of this document, the English version shall prevail.*