



世大控股有限公司

**GREAT WORLD COMPANY HOLDINGS LTD**

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

(Stock Code: 8003)

### **AUDIT COMMITTEE – TERMS OF REFERENCE**

The audit committee (“**Audit Committee**”) of Great World Company Holdings Ltd (“the Company”) is to assist the board of directors of the Company (“**Board**”) to ensure that an effective system of financial reporting, risk management and internal control is in place and to maintain an appropriate relationship with the Company’s auditors.

#### **1. Membership**

- 1.1 The members of the Audit Committee (“**Members**”) shall be appointed by the Board from amongst the non-executive directors of the Company.
- 1.2 The Audit Committee shall comprise a minimum of three members. The majority of the Members must be independent non-executive directors (“**INEDs**”), at least one of whom with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.
- 1.4 A former partner of the Company’s existing audit firm shall be prohibited from acting as a member of the 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.

#### **2. Secretary**

- 2.1 The company secretary of the Company shall be the secretary of the Audit Committee.

- 2.2 Notwithstanding any other provisions in these terms of reference, the Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

### **3. Meetings**

- 3.1 Meetings of the Audit Committee shall be held at least twice each year. The Company's external auditor may request a meeting with the Audit Committee if they consider necessary.
- 3.2 Notice of meeting has to be given at least 7 days prior to a meeting being held, unless all the Members waive such notice. If a meeting is called by a shorter notice, it shall be deemed to have been duly called if it is so agreed by a majority of the Members. A Member who attends such a meeting shall deem to agree to the shorter notice. Notice of adjourned meeting is not required if the adjournment is less than 14 days.
- 3.3 The quorum of a meeting shall be two Members.
- 3.4 Meetings could be held in person, by telephone or by video conference. The Members may participate in a meeting by means of a conference telephone or similar communications equipment provided that all persons participating in the meeting are capable of hearing each other.
- 3.5 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
- 3.6 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 3.7 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be sent to all the Members for their comment and records within a reasonable time after the meeting.

### **4. Attendance and Voting at Meetings**

- 4.1 The chief financial officer (or person occupying the same position) and a representative of the external auditor of the Company shall normally attend meetings of the Audit Committee.
- 4.2 At least once a year, the Audit Committee shall meet the representatives of the Company's external auditor and internal auditor (if any) without the executive directors present, except by invitation of the Audit Committee.

- 4.3 Only members of the Audit Committee are entitled to vote at the meetings.

## **5. Annual General Meeting**

- 5.1 The chairman or a member (who must be an INED) of the Audit Committee shall attend the Company's Annual General Meeting and be prepared to respond to any shareholders' questions on the Audit Committee's activities and responsibilities.

## **6. Responsibilities**

The Audit Committee shall have the following responsibilities:

### *Relationship with the Company's auditors*

- 6.1 to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- 6.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; Note 1
- 6.3 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. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 6.4 to act as the key representative body for overseeing the Company's relations with the external auditors;

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

- 6.5 to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit 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 Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock of Exchange of Hong Kong Limited (“GEM Listing Rules”) and legal requirements in relation to financial reporting.

6.6 Regarding 6.5 above:-

- (i) the Members should liaise with the Board and senior management and must meet, at least twice a year, with the Company’s auditors; and
- (ii) the Audit Committee shall 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, risk management system and internal control system*

- 6.7 to review the Company’s financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company’s risk management and internal control systems;
- 6.8 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 the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function;
- 6.9 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;
- 6.10 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;

- 6.11 to review the group's financial and accounting policies and practices;
- 6.12 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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;
- 6.13 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;
- 6.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.15 to report to the Board on the matters in these terms of reference; and
- 6.16 to consider other topics, as defined by the Board.

## **7. Reporting**

- 7.1 The Audit Committee shall report to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

## **8. Authority**

- 8.1 The Audit Committee is authorized by the Board to investigate any activity within these terms of reference and to direct all employees to co-operate with any request made by the Audit Committee.
- 8.2 A Member may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his duties as a Member.  
Note 2
- 8.3 The Audit Committee shall be provided with sufficient resources to perform its duties.

## **9. Publication of the Terms of Reference**

- 9.1 These terms of reference are posted on both the websites of the Company and The Hong Kong Exchanges and Clearing Limited.

Notes:

- 1. (1) The Audit Committee may establish the following procedures to review and

monitor the independence of external auditors:-

- (i) consider all relationships between the Company and the audit firm (including non-audit services);
  - (ii) obtain from the audit firm 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
  - (iii) meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
- (2) The Audit Committee may agree 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 Audit Committee should then be in a position to consider whether there has been or appears to be any impairment of the auditor's judgment or independence for the audit.
- (3) The Audit Committee should ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the Audit Committee may consider:-
- (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;
  - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and
  - (iv) criteria for compensation of the individuals performing the audit.
2. Arrangement to seek professional advice could be made through the company secretary of the Company.

*(If there is any inconsistency or ambiguity between the English version and the Chinese version, the English version shall prevail.)*