環球戰略集團有限公司

GLOBAL STRATEGIC GROUP LIMITED
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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8007)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Purpose

1. The audit committee (the "**Audit Committee**") of the board of directors (the "**Directors**") of the Company (the "**Board**") Global Strategic Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") is to assist the Board in establishing formal and transparent arrangements to consider how the Board will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditors.

Composition

2. The members of the Audit Committee shall be appointed by the Board from time to time and shall comprise non-executive Directors only. The Audit Committee shall consist of not less than three members and at least one member shall have the appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). A majority of members of the Audit Committee shall be independent non-executive directors of the Company (the "**INED**").

3. A former partner of the Company's existing auditing firm (the "**Firm**") is prohibited from acting as a member of the Audit Committee for a period of 2 years commencing on the date of his/her ceasing:

   (a) to be a partner of the firm; or

   (b) to have any financial interest in the firm,

   whichever is later.

4. The chairperson of the Audit Committee (the "**Chairperson**") shall be appointed by the Board and shall be an INED.

Meetings

5. Unless otherwise stated herein, meetings and proceedings of the Audit Committee are governed by the provisions contained in the articles of association of the Company (as amended, supplemented or otherwise modified from time to time) (the "**Articles**") for regulating the meetings and proceedings of Directors.

6. The Audit Committee shall meet at least twice a year. Any member of the Audit Committee or the Company's external auditor may request that a meeting be held if he/she/it considers it necessary.

7. At least once a year, representatives of the Company's external auditor will meet the Audit Committee without management being present, except by invitation of the Audit Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the Company's external auditor may wish to raise.

8. An agenda and accompanying meeting papers should be sent, in full, to all members of the Audit Committee in a timely manner and at least three (3) days before the intended date of a meeting of the Audit Committee (or other agreed period). The quorum of a meeting of the Audit Committee shall be any two members of the Audit Committee.

9. Each member of the Audit Committee shall have one vote. Only members of the Audit Committee are entitled to vote at the meetings. Subject to the Articles, questions arising at any meeting of the Audit Committee shall be decided by a majority of votes, and in the case of an equality of votes, the Chairperson shall have a second or casting vote.

10. The members of the Audit Committee may participate in a meeting of the Audit Committee by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other at the same time. Participation by a member of the Audit Committee in a meeting in this manner is treated as presence in person at that meeting.

11. The company secretary of the Company shall be the secretary of the Audit Committee (the "**Secretary**"). The Audit Committee may from time to time appoint any other person with appropriate qualification and experience to act as the Secretary. Any such minutes shall be conclusive evidence of any such proceedings if they purport to be signed by the chairperson of the meeting or succeeding meeting.

12. The full minutes of meetings of the Audit Committee shall be kept by the Secretary (or any other person as permitted under these Terms of Reference). The minutes shall be open for inspection at any reasonable time upon reasonable notice by any Director.

13. The minutes of meetings of the Audit Committee shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by the members or dissenting views expressed. Draft and final versions of minutes should be sent to all members of the Audit Committee for their comment and records, respectively, within a reasonable time after a meeting is held.

Annual general meetings

14. The Chairperson shall attend the Company's annual general meetings and be available to answer questions at such annual general meetings.

15. If the Chairperson is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Audit Committee, or failing this, his/her duly appointed delegate, to attend in his/her place. Such person shall be available to answer questions at such annual general meeting.

Authority

16. The authority of the Audit Committee shall include such authority as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the GEM Listing Rules.

17. The Audit Committee is authorised by the Board to investigate any activity within these Terms of Reference, and seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit Committee.

18. The Audit Committee should be provided with sufficient resources to perform its duties, and is authorised by the Board to obtain independent professional advice at the Company's expense where necessary.

Duties

19. Without prejudice to any requirements under the GEM Listing Rules, the duties of the Audit Committee shall include:

(1) Relationship with the Company's auditors

(a) being 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 questions of its resignation or dismissal;

(b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

(c) developing and implementing any policy on engaging any external auditors to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed. For this purpose, "external auditors" shall 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;

(d) discussing with the external auditors the nature and scope of the audit and reporting obligations before the audit commences, and ensuring coordination where more than one audit firm is involved;

(e) where the Board disagrees with the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors, submitting a statement to the Company explaining its recommendation;

(f) acting as the key representative body for overseeing the Company's relations with the external auditors;

(2) Review of the Company's financial information

(a) monitoring integrity of the Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements 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 GEM Listing Rules and any legal requirements in relation to financial reporting;

(b) with regard to (a) above:

(i) liaising with the Board and senior management of the Company; and

(ii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving 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;

(3) Oversight of the Company's financial reporting system, risk management and internal control procedures

(a) reviewing the Company's financial controls and, unless expressly addressed by a separate risk committee of the Board (if any) or by the Board itself, reviewing the Company's risk management and internal control systems;

(b) reviewing and discussing the risk management and internal control systems with the management of the Company to ensure that the management of the Company has performed its duties in establishing and maintaining effective systems for the purpose of dealing with identified risks, safeguarding the Company's assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of the Company's financial reports and achieving compliance with applicable laws and regulations, and ensuring that the effectiveness of the risk management and internal control systems of the Group is reviewed at least annually (the scope of such review should cover all material controls, including financial, operational and compliance controls);

(c) overseeing the management in the design, execution and supervision of the risk management and internal control systems on an ongoing basis, and urge the management to confirm whether the abovementioned systems are effective;

(d) considering major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response by the management of the Company to those findings;

(e) where an internal audit function exists, ensuring coordination between the internal and external auditors of the Company, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

(f) reviewing the Group's financial and accounting policies and practices;

(g) reviewing the management letter of the external auditors of the Company, any material queries raised by the auditors to the management of the Company about accounting records, financial accounts or systems of control and response by the management of the Company;

(h) ensuring that the Board will provide a timely response to the issues raised in the management letter of the external auditors of the Company;

(i) reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(4) Others

(a) reporting to the Board on the matters as set out in these Terms of Reference and the CG Code; and

(b) considering other topics, as defined by the Board.

Reporting procedures

20. Without prejudice to the generality of the duties of the Audit Committee as set out in these Terms of Reference, the Audit Committee shall report to the Board on, and keep the Board fully informed of, its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosures due to regulatory requirements).

21. The Audit Committee shall ensure that the Board as a whole and Directors individually have proper access to reports and other materials related to the Audit Committee's work. It shall also ensure that such reports and materials are in a form and quality sufficient to enable the Board to make informed decisions on the subject matters, and that queries raised by Directors will be addressed promptly.

Miscellaneous

22. These Terms of Reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements, including those under the GEM Listing Rules.

23. The Audit Committee shall make available these Terms of Reference, explaining its role and the authority delegated to it by the Board, by including them on the website of The Stock Exchange of Hong Kong Limited and the Company's website.

Remark: *"senior management" refers to the same persons referred to in the Company's annual report and required to be disclosed under Rule 18.39 of the GEM Listing Rules.*

(If there is any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.)

Effective on: 11 January 2016

Updated on: 31 December 2018
30 December 2025