

GLOBAL DIGITAL CREATIONS HOLDINGS LIMITED
AUDIT COMMITTEE
TERMS OF REFERENCE

(As adopted on 1st January 2009 and revised on 22 March 2012)

1. Constitution

1.1 The audit committee (the “Audit Committee”) is a committee of the board of directors (“Board”).

2. Membership

2.1 The Audit Committee members shall be appointed by the Board and shall consist of not less than three members (the “Members”).

2.2 Membership shall be confined to non-executive Directors, the majority of which must be independent non-executive Directors (“INEDs”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.

2.3 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

2.4 In the event that the Audit Committee comprises a non-executive Director who is a former partner of the Company’s existing auditing firm, such non-executive Director shall be prohibited from acting as a Member of the Audit Committee for a period of one year from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

3. Secretary of the Audit Committee

3.1 The Company secretary shall be the secretary of the Audit Committee.

4. Attendance at meetings

4.1 The Audit Committee shall meet as least four times each year. The external auditors may request a meeting if they consider that one is necessary.

4.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least 7 days shall be given for a meeting of the Audit Committee.

4.3 A quorum should be three Members.

- 4.4 The Finance Director (if any), the Head of Internal Audit (if any), the Head of Accounts/Finance Department and a representative of the external auditors shall normally attend meetings. Other directors shall also have the right of attendance.
- 4.5 At least once a year, representatives of the Company's external auditor will meet the Audit Committee without any executive directors 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 auditor may wish to raise.

5. Authority

- 5.1 The Audit 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 Audit Committee.
- 5.2 The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 5.3 Where the board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 5.4 The Audit Committee should be provided with sufficient resources to perform its duties.

6. Duties

- 6.1 The duties of the Audit Committee shall be:

Relationship with the Company's auditor

- (a) to be primarily responsible for make 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) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, “external auditor” 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. The Audit 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) 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 the 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 relations to financial reporting;
- (e) Regarding (d) above:-
 - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the external auditors; and

- (ii) the Audit 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 auditors;

Oversight of the issuer's financial reporting system and internal control procedures

- (f) 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (i) to review the Company's financial controls, internal control and risk management systems;
- (j) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
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- (k) (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;

- (l) 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. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (m) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (n) to review the group's financial and accounting policies and practices;
- (o) to report to the Board on all matters in these term of reference;
- (p) to review the Company compliance with the code of corporate governance and disclosure in the corporate governance report;
- (q) to consider other topics, as defined by the Board.

7. Reporting procedures

7.1 The secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

7.2 The Audit Committee should report to the Board after each meeting.