

## **TERMS OF REFERENCE AUDIT COMMITTEE**

*(adopted on 21 October 2005 and modified on 11 August 2008, 29 February 2012 and 1 January 2016)*



### **1. ESTABLISHMENT**

- 1.1 The Audit Committee (the “Committee”) is established by the Board of Directors (the “Board”) of G-Resources Group Limited (the “Company”).
- 1.2 The Company and its subsidiaries are together referred to as “the Group” in this Terms of Reference.
- 1.3 Subject to Appendix 14 to the Listing Rules (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited, the procedures of the Committee shall be regulated by the provision of this Terms of Reference (the “Terms of Reference”).

### **2. MEMBERSHIP**

- 2.1 The Committee shall have a minimum of three members (the “Members”) who shall be non-executive directors appointed by the Board and that a majority should be independent (as defined by the Listing Rules). At least one of the Members is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rule 3.10(2). The quorum for a meeting shall be two Members.
- 2.2 A member who wishes to retire or resign from the Committee should provide notice to the Company so that a replacement may be appointed before he leaves.
- 2.3 Any member who ceases to be a director of the Company shall also cease to be a member of the Committee and the vacancy shall be filled by the Board as soon as possible.
- 2.4 The Chairman of the Committee shall be appointed by the Board.

### **3. ATTENDANCE AT MEETINGS**

- 3.1 The Committee may invite any executive director(s), the Chief Financial Officer, any employee of the Company and representatives of the external auditors to attend the Committee meeting.
- 3.2 The Company Secretary shall be the secretary of the Committee.

### **4. FREQUENCY OF MEETINGS**

- 4.1 The Committee shall meet at least two times a year or such other times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 4.2 The external auditors may request a meeting if they consider that one is necessary.

### **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its Members or at the request of external auditors if they consider it necessary; and
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, shall be forwarded to each member of the Committee and any other person required to attend at least 14 days before the date of the meeting. Agenda of items to be discussed together with the supporting papers shall be sent to Committee Members and to other attendees as appropriate, at least 3 clear days in advance of the meeting.

### **6. AUTHORITY**

- 6.1 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.
- 6.2 The 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.

## 7. DUTIES

The duties of the Committee shall be:-

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

- (a) 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 external auditor, 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 Committee should discuss with the 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" 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 measures where action or improvement is needed;

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

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from audit;
  - the going concern assumptions and any qualifications;
  - compliance with accounting standards; and
  - compliance with the 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 auditors; 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 auditors;

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

- (f) to review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Group's risk management and internal control systems;
- (g) 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;
- (h) 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;
- (i) 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 Group, and to review and monitor its effectiveness;
- (j) to review the Group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- (m) to report to the Board on the matters contained in Appendix 14 - Corporate Governance Code and Corporate Governance Report's code provision of the Listing Rules;
- (n) to consider other topics, as defined by the Board;
- (o) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) to establish a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Group; and
- (q) to act as the key representative body for overseeing the Company's relations with the external auditor.

## **8. MINUTES OF MEETINGS**

- 8.1 the Bye-Laws of the Company on "PROCEEDINGS OF THE DIRECTORS" shall apply to all meetings and proceedings of the Committee unless otherwise decided by the Board;
- 8.2 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance;
- 8.3 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly; and
- 8.4 The secretary shall circulate the minutes of Committee meetings to all Members of the Committee within a reasonable time (generally within 14 days) after each meeting and, once agreed, to all Members of the Board to enable the Board to be informed of the progress of the work performed by the Committee and their findings during the period under review.

## **9. ANNUAL GENERAL MEETING**

The Committee Chairman shall, as far as practicable, attend the Annual General Meeting of the Company each year and make himself available to respond to any shareholders' questions on the Committee's activities.