

# Grand Ocean Advanced Resources Company Limited

弘海高新資源有限公司

(the “Company”)

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

**(Stock Code: 65)**

## Terms of Reference of the Audit Committee

*(Amended and adopted by the Company pursuant to the Board resolution passed on 28 December 2015)*

### 1. Composition

- 1.1 The Audit Committee of the Company (the “**Committee**”) shall comprise a minimum of three members (the “**Members**”) consisting of non-executive directors only and a majority of which must be independent non-executive directors of the Company (the “**INEDs**”). The Committee must comprise at least one INED who has appropriate professional qualifications or accounting or related financial management expertise as required under the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time). A quorum shall be two Members.
- 1.2 A former partner of the existing external auditor of the Company is prohibited from acting as a Member for a period of one year commencing on the later of (a) the date of his ceasing to be a partner of the auditing firm; and (b) the date of his ceasing to have any financial interest in the firm.
- 1.3 The chairman of the Committee (the “**Chairman**”) shall be appointed by board of directors of the Company (the “**Board**”) and must be an INED.
- 1.4 The company secretary of the Company (the “**Company Secretary**”) shall be the secretary of the Committee.

## **2. Frequency of meetings**

- 2.1 The Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual consolidated financial statements of the Company and its subsidiaries (the “**Group**”). Additional meetings of the Committee may be held as and when required.
- 2.2 The Committee shall meet with the external auditors at least twice a year. External auditors may request a meeting if they consider necessary.

## **3. Attendance at meetings**

- 3.1 Members may attend meetings of the Committee either in person or through other electronic means of communication or in such other manner as the Members may agree.
- 3.2 The finance director (if any), head of internal audit (if any) and representative(s) of the external auditors shall normally attend meetings of the Committee.
- 3.3 Only Members shall have the right to vote at meetings.

## **4. Proceeding of the Committee**

### 4.1 Notice of meeting:

- (a) Unless otherwise agreed by all the Members, a meeting shall be convened by at least seven days’ notice.
- (b) A Member may at any time summon of a Committee meeting.
- (c) Notice shall be given to each Member in person, orally or in writing or by telephone, facsimile transmission or email at the numbers or addresses from time to time notified to the Company secretary by such Member or in such other manner as the Members may from time to time determine.

- (d) Any notice given orally shall be followed by confirmation in writing before the meeting.
- (e) Notice of the meeting shall state the time, date and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the Members for the purpose of the meeting.

## **5. Minutes of meetings**

- 5.1 Draft and final versions of minutes of the Committee meetings shall be sent to all Members for their comment and records within a reasonable time after the meeting.
- 5.2 Minutes of the Committee shall be kept by the Company Secretary and shall be available for inspection by any Member or the Board at any reasonable time on reasonable notice.

## **6. Written resolutions**

- 6.1 Without prejudice to any requirement under the Listing Rules, written resolution may be passed and adopted by all Members.

## **7. Authority**

- 7.1 The Committee is authorized by the Board to investigate any activity within these terms of reference. It is authorized to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.
- 7.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Committee if it considers this necessary.
- 7.3 The Committee shall be provided with sufficient resources to discharge its duties.

## **8. Responsibility and authorities of the Committee**

8.1 The responsibilities and authorities of the Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules (as amended from time to time).

8.2 Without prejudice to any requirement under the CG Code, the duties of the Committee include the following:

### ***8.2.1 Relationships with the Company's auditors***

- (a) To act as the key representative body for overseeing the Company’s relation with the external auditor, and 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 the external auditor, and to consider 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 accounting standard, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.
- (c) To develop and implement a 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.

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

- (d) To monitor the integrity of the Company’s financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to 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 Listing Rules and legal requirements in relation to financial reporting.

(e) Regarding (d) above:

- (i) Members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditors; and
- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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.

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

- (f) 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.
- (g) To discuss the risk management and the internal control system 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 Company, 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 statements 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 set out herein.
- (n) To consider other topics as defined by the Board.
- (o) To review the arrangements that employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, 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.

8.3 The Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice, if necessary.

8.4 All Members shall have access to the advice and services of the Company Secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

## **9. Reporting responsibilities**

The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

## **10. Annual general meeting**

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 (the “AGM”) and be prepared to respond to questions at the AGM on the Committee’s work and responsibilities.

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