

APAC RESOURCES LIMITED
(the “Company”)

Terms of Reference

Audit Committee

These terms of reference were approved and adopted by the resolutions of the board of directors of the Company (the “**Board**”) passed on 5 October 2007 and last amended on 11 December 2015.

1. Constitution

- 1.1 The audit committee (the “**Committee**”) is formally established and constituted as a committee of the Board in accordance with the Bye-Laws of the Company.
- 1.2 The terms of reference for the Committee outlined below are defined and approved by the Board and may be amended by the Board at any time.

2. Membership

- 2.1 The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 2.2 The Chairman of the Committee (the “**Committee Chairman**”) shall be appointed by the Board and should be an independent non-executive director.
- 2.3 A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the 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.

3. Secretary

- 3.1 The Committee Chairman may from time to time appoint any person with appropriate qualification and experience as the secretary of the Committee (the “**Secretary**”). Unless the Committee Chairman decides otherwise, the company secretary of the Company shall be the Secretary.

- 3.2 Full minutes of the meetings should be kept by the Secretary and should be open for inspection at any reasonable time on reasonable notice by any director.
- 3.3 Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records respectively, within a reasonable time after the meeting.

4. Meetings

- 4.1 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 4.2 Meetings shall be held not less than twice a year. The external auditor may request a meeting if they consider that one is necessary. Additional meetings shall be held as the work of the Committee demands.
- 4.3 A meeting of the Committee may be called by any member of the Committee or the Secretary.
- 4.4 Unless otherwise agreed by the Committee members, notice of each meeting together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and to any other person required to attend no later than 14 working days before the date of the meeting. Supporting papers shall be sent to the members of the Committee and to other attendees as appropriate, at the same time.
- 4.5 The meetings and proceedings of the Committee shall be governed by the provisions contained in the Company's Bye-Laws for regulating the meetings and proceedings of the Board so far as the same are applicable. A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may be contained in a single document or may consist of several documents all in like form. For the purpose of these regulations, "in writing" and "signed" include approval by telex, facsimile, cable and telegram.

5. Duties, Powers and Functions

- 5.1 The Committee is authorised by the Board to investigate any activity within its terms of reference and provided with sufficient resources to perform its duties.
- 5.2 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.

5.3 The duties of the Committee include:

Relationship with the External 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 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 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" 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;

Review of Financial Information

- (d) to monitor the 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 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 the audit or review;
 - (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 of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditor.
 - (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 the external auditor;

Oversight of the Company's Financial Reporting System, Risk Management and Internal Control Systems

- (f) to review the Company's financial controls, 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 risk management and internal control 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 the accounting records, financial accounts or systems of risk management and 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 in Code Provision C.3 of the Corporate Governance Code under the Listing Rules;
- (n) to consider other topics, as defined by the Board; and

- (o) (i) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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 actions; and
- (ii) to act as the key representative body for overseeing the Company's relations with the external auditor.

6. Reporting Responsibilities

- 6.1 The Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 6.2 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 6.3 The Committee Chairman or failing him, another member of the Committee or failing him, his duly appointed delegate should attend the Company's annual general meeting and be available to answer questions at the annual general meeting.

7. Publication of this Terms of Reference

- 7.1 The terms of reference of the Committee will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited.