

North Asia Resources Holdings Limited
(“Company”)

Terms of reference of the Audit Committee (“Committee”)
of the Board of Directors (“Board”) of the Company

1. Constitution

- 1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 12 June 1999.

2. Membership

- 2.1 Members of 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 shall be independent non-executive directors. The members of the Committee shall be Mr Lim Yew Kong, John, Mr Mak Ping Leung and Mr Leung Po Wing, Bowen Joseph
- 2.2 The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.
- 2.3 The secretary of the Committee shall be appointed by the Board.
- 2.4 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.

3. Proceedings of the Committee

- 3.1 **Notice:** Unless otherwise agreed by all the Committee members, a meeting shall be called by at least seven days’ notice. A Committee member may and, on the request of a Committee member, the secretary to the Committee shall, at any time summon a Committee meeting. Notice shall be given to each Committee member in person orally or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone or facsimile or address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine. Any notice given orally shall be confirmed in writing and before the meeting. Notice of meeting shall state the time 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 of the Committee for the purposes of the meeting.
- 3.2 **Quorum:** The quorum of the Committee meeting shall be two members of the Committee.
- 3.3 **Attendance:** The Finance Director, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year, and subject to any further requirements of the Listing Rules, the Committee shall meet with the external auditors and internal auditors, if any, without executive Board members present.

3.4 **Frequency:** Meetings shall be held not less than twice a year to consider the interim and annual report prepared by the Board. The external auditors may request the Chairman of the Committee to convene a meeting, if they consider that one is necessary.

4. Written resolutions

4.1 Written resolutions may be passed by all Committee members in writing.

5. Alternate Committee members

5.1 A Committee member may not appoint any alternate.

6. Authority of the Committee

6.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (together, the “Group”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to monitor whether the Group’s management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Listing Agreement (if any) and other rules and regulations from time to time determined by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request the management to make investigation and submit reports;
- (d) to review the Group’s internal control procedures and system;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group’s internal control procedures and system;
- (g) to request the Board to convene a shareholders’ meeting for purposes of revoking the appointment of any director and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly;
- (h) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group; and
- (i) 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

7.1 The duties of the Committee shall be:

Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations and ensure coordination where more than one audit firm is engaged before the audit commences;
- (c) to develop and implement policy on the engagement of 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 having knowledge of all relevant information would reasonable conclude as part of the audit firm nationally or internationally, and to report to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them, and to review the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, focusing 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;
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
 - (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
 - (viii) whether all relevant items have been adequately disclosed in the Group's

financial statements and whether the disclosures give a fair view of the Group's financial conditions; and

(ix) the cashflow position of the Group;

and to provide advice and comments thereon to the Board;

(e) In regard to (d) above:

(i) members of the Committee must liaise with the Board, senior management and the person appointed as the Company's qualified accountant and the Committee must meet, at least once 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 such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

(f) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

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

(g) to review the Company's financial controls, internal control and risk management systems;

(h) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(j) 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 the effectiveness of the internal audit function;

(k) to review the Group's financial and accounting policies and practices;

(l) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;

(o) to report to the Board on all the matters set out in this paragraph 7.1;

(p) to consider the appointment of any person to be a Committee member and auditors either to fill a casual vacancy or as an additional Committee member and auditors or

dismissal of any of them;

(q) to consider other matters, as defined or assigned by the Board from time to time; and

the Committee should be provided with sufficient resources to discharge its duties.

8. Reporting procedures

8.1 Full minutes of Committee meeting shall be kept by the secretary of the Committee. The secretary to the Committee shall circulate the draft and final version of minutes of meetings for their comments and records respectively and all written resolutions of the Committee to all members of the Board within a reasonable time after the meeting.

9. Continuing application of the bye-laws of the Company

9.1 The bye-laws of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

10. Powers of the Board

10.1 The Board may, subject to compliance with the bye-laws of the Company and the Listing Rules (including the Code of Best Practice or, as the case may be, Code on Corporate Governance Practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

20 April 2010

Revised on 20 March 2012