



CHINA RESOURCES AND TRANSPORTATION GROUP LIMITED

中國資源交通集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:269)

(the “Company”)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(adopted by the Board on 26 September 2005 and revised on 28 November 2011, 30 June 2016 and 28 June 2019)

CONSTITUTION

The board of directors of the Company (the “**Board**”) hereby resolves to establish the Audit Committee (the “**Committee**”).

1. MEMBERSHIP

- 1.1 The members of the Committee (the “**Members**”) shall be appointed by the Board from amongst the non-executive directors of the Company (the “**Directors**”) and shall consist of not less than three (3) Members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the Committee members should be independent non-executive Directors.
- 1.2 The chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.
- 1.3 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

2. ATTENDANCE AT MEETINGS

- 2.1 The executive Director(s), the Head of Accounting Department, Group Finance Director, and a representative of the external auditors shall normally attend meetings. The Committee is authorized to meet with the external auditors without the presence of executive Director if they consider necessary.
- 2.2 The company secretary of the Company shall be the secretary of the Committee (the “**Secretary**”).

3. MEETINGS

- 3.1 Meetings shall be held not less than twice a year.
- 3.2 The quorum of a meeting of the Committee shall be any two Members, at least one should be an independent non-executive Director.
- 3.3 The Committee must meet, at least twice a year, with the external auditors.
- 3.4 The external auditors or any Members may request a meeting if they consider that one is necessary (if necessary in the presence of management) to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor or the Committee may wish to raise.
- 3.5 Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.
- 3.6 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present. A resolution in writing signed by all Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 3.7 Meetings could be held in person, by telephone or by video conference.

4. AUTHORITY

- 4.1 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 are directed to co-operate with any request made by the Committee.
- 4.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice at fee(s) approved by the Board and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 4.3 The Committee should be provided with sufficient resources to perform its duties.

5. RESPONSIBILITY, POWERS AND DISCRETION

The duties of the Committee shall be:

Relationship with the Company's Auditors

- 5.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- 5.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 5.3 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.4 to develop and implement policy on engaging an external auditor to provide non-audit services;
- 5.5 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and
- 5.6 to act as the key representative body for overseeing the Company's relations with the external auditor.

Review of Financial Information of the Company

- 5.7 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report, 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 judgemental 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 Listing Rules and legal requirements in relation to financial reporting.

In regard to the above, (1) the Members should liaise with the Board and senior management and the Committee must meet at least twice a year, with the external auditors; and (2) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, the Committee 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, risk management and internal control systems

- 5.8 to review the Company's financial controls, risk management and internal control systems;
- 5.9 to discuss the risk management and internal control systems with management to ensure that the management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 5.10 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;
- 5.11 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;
- 5.12 to review the Group's financial and accounting policies and practices;
- 5.13 to discuss problems and reservations arising from the interim and annual audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- 5.14 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;
- 5.15 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.16 to report to the Board on the matters raised in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules;

5.17 to review arrangements for employees of the Company 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; and

5.18 to consider other topics, as defined by the Board.

6. REPORTING PROCEDURES

Full minutes of the meetings of the Committee should be kept by the Secretary. Draft and final versions of minutes of the meetings shall be circulated to all Members for their comment and records, within a reasonable time after the meeting.

7. ANNUAL GENERAL MEETING

The chairman of the Committee or in his/her absence, another Member (who must be an independent non-executive Director) of the Committee, shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.