



GR PROPERTIES LIMITED

國 銳 地 產 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 108)

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Constitution

1.1 The board of directors (the “**Board**”) of GR Properties Limited (the “**Company**”) hereby resolves to establish a committee of the Board to be known as the Audit Committee (the “**Committee**”).

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, at least one of whom is an independent non-executive director of the Company with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2.2 The quorum for a meeting of the Committee shall be two members.

2.3 No executive directors shall be appointed to the Committee.

2.4 The Chairman of the Committee shall be appointed by the Board from the members of the Committee and shall be an independent non-executive director.

3. Attendance at meetings

3.1 The members of the Committee, the Head of Finance, the Head of Internal Audit (where applicable), any other relevant employee and a representative of the external auditor shall normally attend meetings.

3.2 At least twice a year the Committee shall meet with the external auditor without executive directors being present.

3.3 The Committee has the right to invite the management and other professional consultants to attend its meetings.

3.4 The Secretary of the Committee shall be appointed by the Committee.

4. Frequency of meetings

4.1 Meetings shall be held not less than twice a year. The external auditor may request a meeting if they consider that one is necessary.

4.2 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chairman of the Committee or any of its members who considers it necessary.



5. Authority

- 5.1 The Committee is authorised by the Board to investigate any activity within these Terms. 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.
- 5.2 The Committee is authorised by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Committee shall be provided with sufficient resources to perform its duties. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Committee.
- 5.3 The Committee is authorised by the Board 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 shall ensure the proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 5.4 The Committee is authorised by the Board to act as the key representative body for overseeing the Company's relations with the external auditor.

6. Duties

The duties of the Committee shall be:-

- 6.1 primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;
- 6.2 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;
- 6.3 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;
- 6.4 to monitor integrity of the Company's financial statements and annual report and accounts and 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:-
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the 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.

6.5 Regarding 6.4 above:-

- members of the Committee should liaise with the Board and the Company's senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
- 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;

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

6.7 to discuss the internal control system with management to ensure that the management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

6.8 to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

6.9 to discuss problems and reservations arising from the interim and final audits, and any matters the auditors, qualified accountant or compliance officer may wish to discuss (in the absence of management where necessary);

6.10 to identify to the Board any areas of conflict of interest between (i) the Company and any of its subsidiaries; and (ii) any other person including any such affiliate or any associate of the Company;

6.11 to ensure that the directors of the Group can properly discharge their responsibility to approve the financial statements of the Group and that the financial statements present fairly the position of the Group in accordance with generally accepted accounting principles;

6.12 to ensure management's decisions and representations relating to accounting and reporting matters are properly reviewed;

6.13 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 control and management's response;

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

6.15 to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;



- 6.16 to review the internal audit programme, 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;
- 6.17 to review the Group's financial and accounting policies and practices;
- 6.18 to direct and supervise investigations into matters which raise questions about the accuracy of the Company's financial statements or the adequacy of its internal accounting control;
- 6.19 to report to the Board on all matters in the Terms of Reference; and
- 6.20 to consider other topics, as defined by the Board.

7. Whistleblowing

- 7.1 The Committee shall establish a whistleblowing policy and system for the employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

8. Proceedings of the Committee

The proceedings of the Committee shall be governed by the following rules:-

- 8.1 at all meetings of the Committee, any question shall be decided by a majority of votes cast by members of the Committee on the question;
- 8.2 notice of the time and place of each meeting of the Committee must be given to each member not less than two business days before the time when the meeting is to be held;
- 8.3 except as required by laws, a resolution signed by all of the members of the Committee is as valid as if it had been passed at a meeting of the Committee;
- 8.4 any member of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities that permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously;
- 8.5 if the Secretary of the Committee is absent, the Chairman of the Committee meeting shall appoint a person who need not be a director to act as secretary of that meeting;
- 8.6 if the Chairman of the Committee is not in attendance at any meeting of the Committee, the members in attendance may appoint a chairman for that meeting; and
- 8.7 the Chairman of the Committee shall arrange for the keeping of records of minutes of and resolutions passed at Committee meetings, and the circulation of the same to all members of the Committee within a reasonable time after each meeting and, once the minutes have been confirmed, to the Chairman of the Board.

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