

CHINA BILLION RESOURCES LIMITED

**Terms of reference of
the Audit Committee of the Board of Directors**

CHINA BILLION RESOURCES LIMITED
(the “Company”)

Audit Committee – Terms of Reference

1. Membership

- 1.1 Members of the Audit Committee shall be appointed by the board of directors (“Board”).
- 1.2 The Audit Committee shall comprise a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Audit Committee must be independent non-executive directors, at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise.

2. Chairman

- 2.1 The Chairman of the Audit Committee shall be an independent non-executive director and appointed by the Board.

3. Meetings

- 3.1 The meetings and proceedings of the Audit Committee are governed by the provisions contained in the Company’s Articles of Association for regulating the meetings and proceedings of Directors.
- 3.2 The quorum for meetings of the Audit Committee shall be any two members.
- 3.3 The Audit Committee shall meet at least two or such other times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 3.4 The Company Secretary shall act as the secretary to the Audit Committee and must ensure that full minutes are kept of all meetings. In the absence of the secretary of the Audit Committee, the members present at the meeting of the Audit Committee shall elect another person as the secretary.

4. Authority

- 4.1 The Audit Committee is authorised by the Board to investigate any activity within its responsibilities outlined in these terms of reference. 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 Audit Committee.

4.2 The Audit 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.

4.3 Where the board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Audit Committee's view and the reasons why the Board has taken a different view.

4.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

5. Duties

The duties of the Audit Committee shall include:

Relationship with the Company's auditors

5.1 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 its resignation or dismissal;

5.2 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

5.3 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 of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;

5.4 report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

5.5 act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

5.6 monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to

the Board, the Audit Committee shall 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;

5.7 Regarding 5.6 above:-

- (i) members of the Audit Committee should liaise with the Board, senior management and the committee must meet, at least twice a year, with the Company's auditors; and
- (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall 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 and internal control procedures

- 5.8 review the Company's financial controls, internal control and risk management systems;
- 5.9 discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting and financial reporting function;
- 5.10 consider major investigations finding on internal control matters as delegated by the Board or on its own initiative and management's response to those findings;
- 5.11 where an internal audit function exists, to ensure coordination 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 review the group's financial and accounting policies and practices;
- 5.13 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;
- 5.14 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.15 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 Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

Others

- 5.16 report to the Board on the matters set out herein; and
- 5.17 consider other topics, as requested by the Board.

6. Annual General Meeting

- 6.1 The Chairman of the Audit Committee shall, as far as practicable, attend the Company's annual general meeting and be prepared to respond to any shareholders' questions on the Audit Committee's decisions or recommendations.

7. Amendment

- 7.1 Any amendment to these terms of reference must be approved by the Board.

8. Publication of these terms of reference

- 8.1 The Audit Committee shall cause a copy of these terms of reference to be published on the websites of the Company and The Stock Exchange of Hong Kong Limited.