



中國礦業資源集團有限公司  
China Mining Resources Group Limited

## CHINA MINING RESOURCES GROUP LIMITED

### AUDIT COMMITTEE TERMS OF REFERENCE

#### Constitution

1. Pursuant to the board meeting of the Company held on 30 December 1998, the board of directors of the Company (the "Board") has resolved to establish a Committee of the Board to be known as the Audit Committee (the "Committee").

#### Membership

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and that a majority should be independent and shall consist of not less than three members. A quorum shall be two members.
3. The chairman of the Committee shall be appointed by the Board and shall be an independent director.

#### Attendance at Meetings

4. Normally the chief financial officer, the head of internal audit department and representative of external auditors shall attend the meeting. However, at least once a year the Committee shall meet with the external and internal auditors without the executive directors of the Board present.
5. The company secretary of the Company shall be the secretary of the Committee.

#### Frequency of Meetings

6. Meetings shall be held not less than twice a year. Usually, meetings are convened by the chairman of the Committee, however, other members of the Committee can also convene meetings as necessary. Notice of at least 3 days should be given of a meeting to give all Committee members an opportunity to attend or over half of the members of the Committee agree the

reasonable shorter notice should be given. The external auditors may request a meeting if they consider that one is necessary.

### **Authority**

7. The Committee is authorised by the Board to investigate any activity within its 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 Committee.
8. 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.

### **Duties**

9. 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 before the audit commences and ensure co-ordination where more than one audit firm is involved;
- 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 reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the board, identifying any matters in respect of which it 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 judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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 audit;
  - iv. the going concern assumptions and any qualifications;
  - v. compliance with accounting standards; and
  - vi. compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;
- e. In regard to (d) above:-
- i. members of the Committee must liaise with the Company's Board of Directors and senior management 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 staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- f. to discuss problems and reservations arising from the quarterly (if prepared for publication), 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 including the adequacy of resources, qualifications and experience of staff of the Company's accounting and

financial reporting function, and their training programmes and budget;

- 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 report to the Board on the matters set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited "Code on Corporate Governance Practices";
- o. to consider the major findings of internal investigations and management's response; and
- p. to consider other topics, as defined by the Board or handle the job assigned by the Board.

### **Reporting Procedures**

10. The secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board.