



**Z H A O J I N**

**ZHAOJIN MINING INDUSTRY COMPANY LIMITED**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

**RULES OF PROCEDURES FOR THE WORK AND TERMS OF REFERENCE  
OF THE AUDIT COMMITTEE  
UNDER THE BOARD OF DIRECTORS**

**Chapter 1 General Provisions**

**Rule 1** In order to strengthen the decision-making functions of the Board of Directors of Zhaojin Mining Industry Company Limited (“the Company”), and to conduct audit in advance and professional audit so as to ensure the effective supervision of the management by the Board and improve the corporate governance structure, the Board of Directors of the Company has specifically set up the Audit Committee of the Board in accordance with the provisions of the Company Law of the People's Republic of China, Corporate Governance Standards for Listed Companies, the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Articles of Association and other relevant regulations, and made formal and transparent arrangements in relation to applying the principles of financial reporting and internal control as well as maintaining appropriate relationship with the Company's auditors and therefore formulated these Rules.

**Rule 2** The Audit Committee under the Board of Directors is a specific working body established by the Board according to a resolution of the shareholders' general meeting, the Committee is mainly responsible for the communication, supervision and inspection of the external and internal audit of the Company.

**Chapter 2 Composition**

**Rule 3** The Audit Committee shall comprise three directors, two of whom shall be independent non-executive Directors, and the other one shall be non-executive Director. At least one of the independent non-executive Directors shall be an accounting professional or a person with relevant financial management expertise as required in Rule 3.10(2) of the Listing Rules.

**Rule 4** The members of the Audit Committee shall be nominated by the Chairman of the Board, more than half of the independent non-executive Directors or more than one third of all Directors, and shall be elected by the Board.

**Rule 5** The Audit Committee shall have a chairman (the convener) who shall be an independent non-executive Director. The chairman of the Committee shall be responsible for leading the work of the Committee. The chairman of the Committee shall be elected from the members and be reported to the Board of Directors for approval.

**Rule 6** The Audit Committee shall have a term of office consistent with that of the Board. The term of office of a member is renewable upon re-election. If a member no longer assumes the position of Director in the Company during the term of office, he/she shall automatically lose his/her identity as a member. The vacancy shall be filled by the Board in accordance with the provisions of Rules 3 to 5 above.

**Rule 7** The Audit Committee may appoint one (1) or two (2) staff to take charge of the liaison of routine work and organization of meetings.

**Rule 8** Any former partner of the audit firm which is currently responsible for auditing the Company's accounts shall not serve as a member of the Audit Committee of the Company within one (1) year starting from the following dates (whichever is the later):

(a) the date on which he/she ceased to be a partner of the audit firm referred to above; or

(b) the date on which he/she ceased to enjoy financial benefits of the audit firm referred to above.

### **Chapter 3 Duties and Authorities**

**Rule 9** The major duties and authorities of the Audit Committee include:

(1) to propose the appointment, re-appointment or change of external auditors, approve the remuneration and terms of appointment of external auditors, and handle any issues in relation to the auditors' resignation or the dismissal of such auditors;

(2) to supervise the internal audit system of the Company and its implementation;

(3) to take charge of the communication function in respect of internal and external audit work;

(4) to ensure the completeness of the financial statements and annual reports, interim reports and accounts of the Company, and review the significant opinions on financial reporting contained therein. In this respect, the Committee shall pay special attention to the following issues when reviewing the annual reports and accounts, interim reports which are to be submitted to the Board of Directors:

(i) any change in accounting policies and practices;

(ii) any issue relating to major judgment;

(iii) any significant adjustment resulting from the audit;

(iv) the going concern assumption and any qualification;

(v) the status of compliance with the accounting standards;

(vi) the status of compliance with the Listing Rules and the legal requirements in relation to financial reporting;

(5) For the purpose of item (4) above:

(i) Members of the Committee shall keep in touch with the Board and senior management personnel of the Company. The Committee shall convene at least two meetings a year with the Company's auditors and meet the auditors at least once a year without the presence of the management.

(ii) The Committee shall consider any significant or unusual matter that is, or may need to be, reflected in such reports and accounts and shall pay due attention to any matter that has been raised by the staff responsible for accounting and financial reporting functions, or the compliance officer or auditors of the Company.

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

(7) to discuss the internal control system with the management to ensure that the management has performed the duty of establishing an effective internal control system. The scope of discussion shall include whether the Group has adequate resources for the accounting and financial reporting functions, whether its employees possess adequate qualifications and experience, and whether adequate staff trainings are provided and the related budget is sufficient;

(8) to review any major findings of the investigation on internal control and the management's response;

(9) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function has adequate resources and appropriate status in the Company, and to review and monitor the effectiveness of the internal audit function;

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

(11) to review the external auditors' letter to the management in respect of audit matters, review material queries raised by the auditors to the management in respect of accounting records, financial accounts or control systems and the management's response to those queries;

(12) to ensure that the Board will respond in a timely manner to the issues raised in the external auditors' letter to the management in respect of audit matters;

(13) to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process, and the Committee shall discuss with the auditors on the nature and scope of the audit and related reporting obligations prior to commencement of an audit;

(14) to formulate and implement policies concerning the provision of non-audit services by external auditors;

(15) to review the following arrangements of the Company: employees shall have a channel to raise concern or report in an anonymous manner any possible misconduct in respect of financial reporting, internal control or other aspects. The Committee shall ensure that appropriate arrangements are made to enable a fair and independent investigation of such matters and appropriate actions are taken;

(16) to act as the Company's chief representative to work with external auditors and oversee the relationship between the Company and external auditors;

(17) to report to the Board on matters set out in this work system;

(18) to review the internal control system of the Company and audit major connected transactions;

(19) to take charge of the Company's corporate governance functions:

(a) to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the trainings and continuous career development plans for the Directors and management;

(c) to review and monitor the policies and practices in connection with the Company's compliance with the legal and regulatory requirements;

(d) to formulate, review and monitor the Code of Conduct and Compliance Manual (if any) for the employees and Directors;

(e) to review the status of the Company's compliance with the Corporate Governance Code and its disclosure in the Corporate Governance Report; and

(20) Other matters or issues assigned by the Board.

**Rule 10** The Audit Committee is accountable to the Board, and the proposals of the Committee shall be submitted to the Board for consideration and decision. The Audit Committee shall work in accord with the audit activities of the supervisors of the Company.

#### **Chapter 4 Decision Making Procedures**

**Rule 11** The working unit under the Audit Committee is responsible for making preliminary preparations for the decision making process of the Audit Committee and providing relevant written information of the Company in relation to:

(1) relevant financial reports of the Company;

(2) work reports of internal and external auditors;

(3) external audit contracts and relevant work reports;

(4) public disclosure of information made by the Company;

(5) audit reports on material connected transactions of the Company; and

(6) other related matters.

**Rule 12** The Audit Committee shall convene meetings to discuss the reports submitted by the working unit, and shall submit its relevant written resolutions to the Board for consideration:

(1) work appraisal on external auditors, and the engagement and replacement of external auditors;

(2) report on whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are true and accurate in all aspects;

(3) report on whether the financial information disclosed publicly by the Company is objective and accurate and whether major connected transactions of the Company are in compliance with relevant laws and regulations;

(4) work appraisal of the internal financial department and audit department, including their persons-in-charge; and

(5) other relevant matters.

## **Chapter 5 Rules of Procedures**

**Rule 13** A meeting of the Audit Committee may be convened upon the request of a member of the Committee, if necessary. The Audit Committee shall convene at least 2 meetings a year.

The notice of a meeting of the Audit Committee shall be given to all members seven days before the date of the meeting, however, such time limit is not applicable to emergency cases.

The meeting of the Audit Committee shall be presided over by the chairman of the committee and, where he/she is unable to attend the meeting, he/she may appoint another member to preside over the meeting.

**Rule 14** Meetings of the Audit Committee shall be held only with the presence of two thirds of the members. Each member shall be entitled to one vote. Resolutions of a meeting must be adopted by the affirmative votes of more than half of its members.

**Rule 15** Resolutions of the Audit Committee shall be passed by a show of hands or by voting. A meeting may also be convened in the form of vote by communication facilities in case of emergency.

**Rule 16** Members of the working unit may appear in the meetings of the Audit Committee, and Directors, supervisors and other senior management personnel of the Company may be invited to attend meetings of the Audit Committee, if necessary. The Audit Committee shall meet the external auditors of the Company at least twice a year without the presence of the Company's executive directors.

**Rule 17** The Company shall ensure that adequate resources are available to the Audit Committee and the Committee may, if necessary, appoint an intermediary agency to provide professional advice on its decisions and the expenses so incurred shall be borne by the Company.

**Rule 18** The procedures and voting methods of the Audit Committee as well as the resolutions passed at the meeting must comply with relevant laws, regulations, the Company's Articles of Association and these Rules.

**Rule 19** The Audit Committee shall keep minutes of its meetings. Members present at a meeting shall sign the minutes of the meeting which shall be kept by the secretary to the Board of the Company. The draft and final version of the minutes of meetings of the Audit Committee shall be delivered to all members of the Audit Committee within a reasonable time after the meeting. The draft is for the members' comments and the final version is for record purpose.

**Rule 20** Any resolution passed or the results of a poll taken at a meeting of the Audit Committee shall be reported in writing to the Board for final decisions.

**Rule 21** All members attending meetings of the Committee shall be obliged to keep all items discussed at the meetings confidential and shall not disclose the relevant information.

## **Chapter 6 Supplementary Provisions**

**Rule 22** These Rules shall come into effect on the date of approval by the Board.

**Rule 23** Any matters not covered by these Rules shall be implemented in accordance with relevant laws and regulations of the State and the Company's Articles of Association. Where there is a conflict between these Rules and future laws and regulations to be promulgated by the State or the Company's Articles of Association as amended in accordance with legitimate procedures, these Rules shall be implemented in accordance with relevant laws and regulations of the State and the Company's Articles of Association and corresponding amendments to these Rules must be submitted to the Board for consideration and approval in a timely manner.

**Rule 24** The right to interpret these Rules shall be vested in the Board of the Company.

### **The Board of Zhaojin Mining Industry Company Limited**

# The original version of the Rules of Procedures for the Work and Terms of Reference of the Audit Committee under the Board of Directors ("Rules") is in Chinese, and the English version of the Rules is the translation from the Chinese original. Should there be any discrepancy between the Chinese and English version of the Rules, the Chinese version shall prevail.