



# ARTGO MINING HOLDINGS LIMITED

## 雅高礦業控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

(hereafter the “**Company**”)

(Stock Code: 3313)

### **Audit Committee - Terms of Reference**

#### **1. Members**

- 1.1 The audit committee should be established by the board of the Company (“**Board**”) and it should comprise a minimum of three members.
- 1.2 The audit committee should comprise non-executive directors only. The majority of the audit committee members must be independent non-executive directors of the Company, and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The audit committee must be chaired by an independent non-executive director and appointed by the Board.
- 1.4 If the audit committee comprise a non-executive director, a former partner of the issuer’s existing auditing firm should be prohibited from acting as a member of its audit committee for a period of one year from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.
- 1.5 The terms of appointment of audit committee members are determined by the Board at the appointment date.

#### **2. Secretary**

- 2.1 The company secretary of the company shall act as the secretary of the audit committee.
- 2.2 The audit committee may from time to time, appoint any other person with appropriate qualification and experience to act as the secretary of the audit committee.

### **3. Meetings**

- 3.1 The audit committee should meet at least twice a year. The external auditors of the Company can call for a meeting if necessary.
- 3.2 Notice of at least 14 days should be given for any meeting, unless such notification is waived by all members of the audit committee. Notwithstanding the notification period, the attendance of the member of the committee at the meeting would be deemed to be treated as the waiver of the required notification requirement. If the follow up meeting takes place within 14 days after the meeting, then no notification is required for such follow up meeting.
- 3.3 The quorum necessary for the transaction of business of the audit committee shall be two members of the audit committee, one of whom must be an independent non-executive director.
- 3.4 Meeting can be attended in person or via electronic means including telephonic or videoconferencing. The members of the audit committee can attend the meeting via telephonic or any similar communication device (all persons attending such meeting should be able to hear from such member via such communication device).
- 3.5 The resolution of the audit committee should be passed by more than half of the members.
- 3.6 The resolution passed and signed by all members is valid, and the validity is same as any resolution passed in the meeting held.
- 3.7 Full minutes of audit committee meeting should be kept by a duly appointed secretary of the audit committee. Draft and final versions of minutes of the meeting should be sent to all committee members for their comments and records, within a reasonable time after the meeting.

### **4. Meeting attendance**

- 4.1 The members of the audit committee should meet, at least twice a year, with the Company's auditors without the attendance from the executive directors (except for the one invited by the audit committee).
- 4.2 Upon the invitation from the audit committee, the following persons can attend the meeting: (i) Head of internal audit department or (if absence) the representative from internal audit department; (ii) Group financial controller (or equivalent); and (iii) the other Board members.

4.3 Only the members of audit committee can vote in the meeting.

## **5. Annual General Meetings**

5.1 The chairman or chairlady of an audit committee or (if absent) the other member of an audit committee (must be an independent non-executive director) should attend the annual general meeting of the Company, handle the shareholders' enquiry on the activities and responsibilities related to the audit committee.

## **6. Duties and Powers**

The audit committee is responsible for reviewing and monitoring the financial reporting and internal control principles of the Company, and assist the Board to fulfill its responsibility over the audit. The audit committee's duties and powers should include:

6.1 Relationship with the Company's external auditors

6.1.1 to be primarily responsible for making recommendations 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 question of its resignation or dismissal;

6.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

6.1.3 to develop and implement policy on the 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; and

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

6.2 Review of the Company's financial information

6.2.1 to monitor integrity of the Company's financial statements and 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 reviewing these reports before submission to the Board, the committee should focus particularly on:

- (a) any changes in accounting policies and practices;
- (b) major judgemental areas;
- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting; and

6.2.2 Regarding 6.2.1 above:

- (a) members of the audit committee should liaise with the Board and senior management and the audit committee must meet, at least twice a year, with the Company's auditors; and
- (b) the audit 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 and auditors.

6.3 Oversight of the Company's financial reporting system and internal control procedures

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

6.3.2 to discuss the internal control system with management to ensure that 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 functions;

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

- 6.3.4 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 issuer, and to review and monitor its effectiveness;
  - 6.3.5 to review the group's financial and accounting policies and practices;
  - 6.3.6 to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
  - 6.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - 6.3.8 to act as the key representative body for overseeing the Company's relationship with the external auditor;
  - 6.3.9 to review arrangements that 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;
  - 6.3.10 to report to the Board on the matters in the code provision under Appendix 14 of the Listing Rules;
  - 6.3.11 to consider other topics, as defined by the Board;
  - 6.3.12 where the Board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the Board has taken a different view; and
  - 6.3.13 the audit committee should establish a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the Company.
- 6.4 Performing the Company's corporate governance functions
- 6.4.1 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- 6.4.2 to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- 6.4.3 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 6.4.4 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- 6.4.5 review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company.

## **7. Declaration responsibilities**

- 7.1 The audit committee has to report to the Board after each meeting.

## **8. Authority**

- 8.1 The Board should authorize the audit committee to inspect all accounts, reports and records of the Company.
- 8.2 In order to fulfill its duties, the audit committee is eligible to request the management of the Company to provide any figures related to the financial status of the Company, its subsidiaries and associates.
- 8.3 The audit committee member should have access to independent professional advice in the expense of the Company if necessary, in order to fulfill his responsibility of being a member of the audit committee.

Remark: the independent professional advice can be seek via the financial controller or the company secretary

- 8.4 The audit committee should be provided with sufficient resources to perform its duties.

*Remark: "Senior management" refers to the same persons referred to in the Company's annual report. It is the responsibility of the directors of the Company to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries, heads of divisions, departments or other operating units within the group as, in the opinion of the Company's directors, is appropriate.*