



**北大资源**  
PKU RESOURCES

**PEKING UNIVERSITY RESOURCES (HOLDINGS) COMPANY LIMITED**

**北大资源 (控股) 有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00618)

## **TERMS OF REFERENCE**

### **OF**

## **AUDIT COMMITTEE**

*(Amended and adopted by the Board on 28 December 2018)*

### **1. Membership**

- 1.1 Members of the Audit Committee shall be appointed by the board of directors (the “Board”) of the Company.
- 1.2 The Audit Committee must consist of a minimum of three members (“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 (“INEDs”), at least one of whom must have 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”).
- 1.4 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.
- 1.5 In the event that the Audit Committee comprises a non-executive director who is a former partner of the Company’s existing auditing firm, such non-executive director shall be prohibited from acting as a Member of the Audit Committee for a period of two years from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

## 2. Secretary

- 2.1 The Company Secretary of the Company or his/her delegate shall be 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 as the secretary of the Audit Committee.

## 3. Frequency and Proceedings of Meetings

### *Frequency of meetings*

- 3.1 The Audit Committee shall meet at least twice each year. Additional meetings of the Audit Committee may be held as and when required.
- 3.2 The Audit Committee shall meet with the external auditors without any executive directors being present, except by invitation of the Audit Committee, at least twice a year, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise. The external auditors may request a meeting if they consider necessary.

### *Quorum*

- 3.3 The quorum for meetings of the Audit Committee shall be any two Members.

### *Attendance at meetings*

- 3.4 Members of the Audit Committee may attend meetings of the Audit Committee either in person, by telephone or by video conference or through other electronic means of communication or in such other manner as the Members may agree.
- 3.5 At the invitation of the Audit Committee, the following persons may attend the meeting:

- (i) Head of Internal Audit or in his/her absence, a representative from Internal Audit;
- (ii) Group Financial Controller or Head of Accounts Department (or person occupying the same position); and
- (iii) Other members of the Board or other persons.

#### *Notice of meetings*

3.6 A meeting of the Audit Committee may be convened by any of its Members or by the secretary of the Audit Committee.

3.7 Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all Members of the Audit Committee waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.

#### *Resolutions*

3.8 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.

3.9 A resolution in writing signed by all the Members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

#### *Minutes of meetings*

3.10 Full minutes of Audit Committee meetings should be kept by the Secretary of the Audit Committee. Draft and final versions of minutes of Audit Committee meetings shall be sent to all Members of the Audit Committee for their comment and records within a reasonable time after the meeting.

3.11 Minutes of the Audit Committee shall be kept by the secretary of the Audit Committee and shall be available for inspection by any Member of the Audit Committee or the Board at any reasonable time on reasonable notice.

#### **4. Authority**

4.1 The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.

4.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.

4.3 A director as a Member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member of the Audit Committee to the Company.

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

#### **5. Responsibility, Powers and Functions**

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control system and to assist the Board with any other responsibility as may be delegated by the Board from time to time. The Audit Committee shall have the following responsibilities, powers and functions:

##### *Relationship with the Company's External Auditor*

5.1 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 questions of its resignation or dismissal.

- 5.2 To review and monitor the external auditor's independence and objectivity.
- 5.3 To review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences.
- 5.4 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.
- 5.5 To report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
- 5.6 To act as the key representative body for overseeing the Company's relations with the external auditor.

*Review of the Company's financial information*

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

5.8 Regarding 5.7 above:-

- (i) Members of the Audit Committee should liaise with the Board and senior management;
- (ii) the Audit Committee must meet, at least twice a year, with the Company's external auditor; and
- (iii) 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 (or person occupying the same position), or external auditor.

*Oversight of the Company's financial reporting system, risk management and internal control systems*

5.9 To review the Company's financial controls and risk management and internal control systems.

5.10 To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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

5.12 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 its effectiveness.

- 5.13 To review the Group's financial and accounting policies and practices.
- 5.14 To review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response.
- 5.15 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- 5.16 To review arrangements which the 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 for appropriate follow-up action.

*Corporate governance functions delegated by the Board*

- 5.17 To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.
- 5.18 To review and monitor the training and continuous professional development of directors and senior management.
- 5.19 To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.
- 5.20 To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.
- 5.21 To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

*Others*

- 5.22 To report to the Board on all matters in these terms of reference.

5.23 To consider any other matters specifically referred to the Audit Committee by the Board.

## **6. Reporting Responsibility**

6.1 The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

## **7. Annual General Meeting**

7.1 The chairman of the Audit Committee or in his/her absence, another Member of the Audit Committee shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

*Note:*

*If there is any inconsistency between the English and Chinese version of this Term of Reference, the English version shall prevail.*

28 December 2018