



**China Polymetallic Mining Limited**  
**中國多金屬礦業有限公司**  
(the “Company”)

**TERMS OF REFERENCE FOR**  
**THE AUDIT COMMITTEE**  
**(the “Committee”)**

*(Adopted by the Company pursuant to the Board resolution passed on 19 March 2012)*

**Membership**

1. Members of the Committee shall be appointed by the board of directors of the Company (the “**Board**”).
2. The Committee must consist of a minimum of three members, all of whom must be non-executive directors.
3. The majority of the members of the Committee shall be independent non-executive directors of the Company, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
4. The Committee shall be chaired by an independent non-executive director of the Company.
5. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year commencing on the date of his ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is the later.
6. The term of membership will be one year from the date of appointment subject to renewal and shall be governed by the provisions of the Articles of Association of the Company.
7. The appointment of the members of the Committee may be revoked, and new member can be appointed in place by resolutions passed by the Board and by the Committee.

8. No alternate Committee member can be appointed.

## **Secretary**

9. The Company Secretary shall be the secretary of the Committee. In the absence of the company secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall attend the meeting of the Audit Committee and take minutes.

## **Proceedings of meetings**

10. Unless otherwise specified hereunder, the provisions contained in the Company's Articles of Association (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

## **Frequency of meetings**

11. The Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings should be held as and when the Committee considers necessary.
12. The Audit Committee shall meet with the external auditors at least twice a year in the absence of the management. The external auditors may request a meeting if they consider necessary.
13. The chairman of the Committee may convene additional meetings at his discretion.
14. The external auditors may also request a meeting if they consider that one is necessary.

## **Quorum**

15. The quorum of a meeting shall be two members of the Committee, both of whom shall be independent non-executive directors.

## **Attendance at meetings**

16. Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication or in such other manner as the members may agree.
17. The Chief Financial Officer of the Group (as defined hereunder) (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. Other Board members may be invited to attend a particular meeting in order to answer specific questions or concerns. Where an internal audit function exists, the Head of Internal Audit should normally attend meetings.

## **Notice of meetings**

18. A meeting of the Committee may be convened by any of its members or by the company secretary.
19. Unless otherwise agreed by all the members of the Committee, notice of meetings shall be given to all members of the Committee at least seven days before the regular meeting. For all other meetings of the Committee, reasonable notice shall be given.
20. Agenda and accompanying supporting papers shall be sent to all members of the Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

## **Minutes of meetings**

21. Draft and final versions of minutes of Committee meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.
22. Minutes of the Committee shall be kept by the company secretary and shall be available for inspection by any member of the Committee or the Board at any reasonable time on reasonable notice.

## **Written resolutions**

23. A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of the Committee. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

## **Authority**

24. The authorities of the Committee shall include such authorities set out in the relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 of the Listing Rules (as amended from time to time).
25. The Committee is authorised by the Board to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Committee.
26. The Committee is authorised by the Board to obtain outside legal or other independent professional advice if deemed required and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.

27. The Committee shall report to the Board on any suspected frauds and irregularities, failures of internal control or suspected infringements of/non-compliance with laws, rules and regulations (in particular real estate certificates and licenses requirements in the People's Republic of China ("PRC")) which come to its attention and are of sufficient importance to warrant the attention of the Board.
28. The Committee is to be provided with sufficient resources to discharge its duties.

## **Responsibility**

29. The responsibilities of the Committee shall include such responsibilities set out in the relevant code provisions of the CG Code as contained in Appendix 14 of the Listing Rules (as amended from time to time).
30. The Committee is to serve as a focal point for communication between other directors, the external auditors and the internal auditors (where an internal audit function exists) as regards their duties relating to financial and other reporting, internal controls (particularly in relation to the full compliance with the relevant PRC real estate certificates and licenses requirements), external and internal audits and such other financial and accounting matters as the Board determines from time to time.
31. The Committee is to assist the Board in providing an independent review and supervision of the effectiveness of the financial reporting process, internal control and risk management system of the Company and its subsidiaries (the "Group"), overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

## **Duties, powers and functions**

32. Without prejudice to any requirement under the CG Code, the duties of the Committee include the following:

### **Relationship with the Company's auditors**

- (a) 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) 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. In this connection, the Committee shall:
  - consider all relationships between the Company and the audit firm (including the provision of non-audit services);

- seek from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff; and
  - meet with the auditor, at least twice a year, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;
- (c) 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;
- (d) consider agreeing with the Board the Company's policies relating to the hiring of employees or former employees of the external auditors and monitor the application of such policies to examine whether there has been any impairment or appearance of impairment of the auditor's judgement or independence in respect of the audit;

### **Review of financial information of the Company**

- (e) 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:
- any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from audit;
  - the going concern assumptions and any qualifications;
  - compliance with accounting standards; and
  - compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(f) In regard to (e) above:

- members of the Committee must liaise with the Board and senior management and the Committee must meet, at least once a year, with the Company's auditors; and
- 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;

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

- (g) review the Company's financial controls, internal control and risk management systems;
- (h) 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, their training programmes and budget;
- (i) 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, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor the effectiveness of the internal audit function;
- (k) review the Group's financial and accounting policies and practices;
- (l) 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) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) report to the Board on the matters set out in these terms of reference;
- (o) consider other matters, as defined by the Board;
- (p) review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

- (q) act as the key representative body for overseeing the Company's relation with the external auditor; and
  - (r) ensure the chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.
33. All members of the Committee shall have access to the advice and services of the company secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

## **Reporting procedures**

34. The Committee shall report back to the Board on a regular basis 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).
35. The secretary of the Committee shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Board, keeping the Board informed of the Committee's activities, decisions and recommendations on a regular basis.
36. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.
37. Reports to the Board and minutes of the Committee should be approved by the Committee before submitting to the Board.

## **Annual General Meeting**

38. The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Committee's work and responsibilities.

## **Availability and update of the terms of reference**

39. These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong. These terms of reference shall be made available to the public by including the information on the Company's website.

*Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.*