



**Laopu Gold Co., Ltd.**  
**老鋪黃金股份有限公司**

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

**(Stock Code: 6181)**

**Terms of Reference – Audit Committee**

**Chapter 1 General Provisions**

**Article 1** In order to improve the discussion and decision-making procedures of the Audit Committee of the board of directors (the “**Audit Committee**”) of Laopu Gold Co., Ltd. (the “**Company**”) and to ensure the smooth progress of the work of the Audit Committee, these terms of reference are formulated in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Articles of Association of the Company (the “**Articles of Association**”), and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and other relevant regulations.

**Article 2** The Audit Committee is a specialized committee established by the board of directors and it is mainly responsible for supervising and verifying the Company’s internal and external audit and internal control systems.

Members of the Audit Committee must ensure that they have sufficient time and energy to perform the committee’s work responsibilities, perform their duties diligently, effectively supervise the Company’s external audit, guide the Company’s internal audit work, and promote the Company to establish effective internal controls as well as provide true, accurate and complete financial reports.

**Article 3** The Company must provide necessary working conditions for the Audit Committee and assign specialized personnel or institutions to undertake daily work such as work liaison, meeting organization, material preparation, and file management of the Audit Committee. When the Audit Committee performs its duties, the Company’s management team and relevant departments must also cooperate.

**Chapter 2 Composition**

**Article 4** The members of the Audit Committee must consist of at least three members and all members must be non-executive directors. The number of independent non-executive directors shall be more than half and at least one must be an independent non-executive director who possesses appropriate professional qualifications or possesses appropriate accounting or related financial management expertise as required under the Hong Kong Listing Rules.

**Article 5** Members of the Audit Committee are nominated by the chairman/chairlady of the board of directors, more than half of the independent non-executive directors or one-third of all directors, and shall be elected by the board of directors.

**Article 6** The board of directors must regularly evaluate the independence and performance of the members of the Audit Committee, and, if necessary, replace members who are not suitable to continue serving. A former partner of the Company's existing audit firm shall not serve as a member of the Audit Committee for a period of two years from the later of (a) the date on which he or she ceases to be a partner of the Company's audit firm; or (b) the date on which he/she ceases to have any financial interest in the audit firm.

**Article 7** The Audit Committee shall have a chairperson (the "**Chairperson**"), who is acted by an independent non-executive director, appointed by the board of directors and responsible for presiding over the work of the committee.

**Article 8** The term of the Audit Committee shall be consistent with that of the board of directors. When a member's term expires, he or she may be re-elected. If any member no longer serves as a director of the Company during this period, he or she will automatically lose committee membership qualifications and the board of directors will replenish the number of members in accordance with the provisions of this terms of reference.

### **Chapter 3 Secretary**

**Article 9** The secretary of the Audit Committee shall be any company secretary or joint company secretary.

**Article 10** 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.

### **Chapter 4 Duties and Powers**

**Article 11** The duties of the Audit Committee include:

- (i) supervising and evaluating the external auditors' audit process;
- (ii) giving guidance to the internal audit work;
- (iii) overseeing the effectiveness of financial reporting system, risk management and internal control systems;
- (iv) reviewing and providing advice and comments on our financial reports;
- (v) performing the corporate governance functions of the Company;

- (vi) coordinating among the management team, internal audit department and related departments and the external auditors; and
- (vii) performing other duties and responsibilities as assigned by the board of directors and/or required by the relevant laws and regulations.

**Article 12** The duties of the Audit Committee in supervising and evaluating the work of the external auditor include the following:

- (i) to be primarily responsible for making recommendation to the board of directors on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any issues in relation to the resignation or dismissal of the external auditor;
- (ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and should discuss the nature and scope of the audit and reporting obligations with the external auditor before the audit commences;
- (iii) to develop and implement policy on the engagement of an external auditor to provide 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; and
- (iv) to report to the board of directors where action or improvement is needed, identify problems and make recommendations.

**Article 13** The duties of the Audit Committee in overseeing the effectiveness of financial reporting system, risk management and internal control systems include the following:

- (i) to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the board of directors, or by the board of directors itself, to review the Company's risk management and internal control systems;
- (ii) to discuss the risk management and internal control systems with the management team to ensure that management team has performed its duty to have effective systems in place. Such discussion should include adequacy of resources, staff qualifications and experiences, training programs and budget of the Company regarding the accounting and financial reporting function;

- (iii) to consider any findings of major investigations on risk management and internal control matters and the management team's response to these findings as delegated by the board of directors or on its own initiative;
- (iv) 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;
- (v) to review the Company's financial and accounting policies and practices;
- (vi) to review the external auditor's management letter, any material queries raised by the external auditor to the management regarding the accounting records, financial accounts or risk management and control systems and the management team's response;
- (vii) to ensure that the board of directors will provide a timely response to the issues raised in the external auditor's management letter;
- (viii) to act as the principal representative for overseeing the Company's relation with the external auditor;
- (ix) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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;
- (x) to report to the board of directors on the matters in the code provision under Appendix C1 of the Hong Kong Listing Rules;
- (xi) to study other topics assigned by the board of directors; and
- (xii) where the board of directors disagrees with the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the corporate governance report a statement from the Audit Committee explaining its recommendation and also the reasons for the different views of the board of directors.

**Article 14** The Audit Committee's responsibilities for reviewing and providing advice and comments on the financial reports shall include at least the following aspects:

- (i) to monitor the integrity of the Company's financial statements, annual report and accounts, half-year report and quarterly reports (if prepared for publication), and to review relevant significant opinions on financial reporting contained therein. Before the submission of such statements and reports to the board of directors, the Audit Committee should focus particularly on reviewing the following matters:
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) assumptions about the going concern of the business and any qualified opinion;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.
- (ii) Regarding item (i) above,
  - (a) members of the Audit Committee should liaise with the board of directors and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
  - (b) the Audit Committee should consider any significant or unusual matters that are, or may need to be, reflected in the reports and accounts, and should give due consideration to any matters that have been raised by the Company's accounting and financial reporting staff, compliance officer or external auditors.

**Article 15** The Audit Committee's responsibilities in performing the Company's corporate governance functions shall include at least the following aspects:

- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board of directors;
- (ii) to review and monitor the training and continuous professional development of directors and senior management of the Company;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- (v) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report of the Company.

**Article 16** The Company's external auditors and the Audit Committee must hold at least two meetings each year without the attendance of any executive directors (except those invited by the Audit Committee). The company secretary may attend the meeting.

**Article 17** The Company's internal audit department is required to report its work to the Audit Committee. Various audit reports as well as rectification plans and rectification status of audit issues submitted by the internal audit department to the management team must be submitted to the Audit Committee at the same time.

**Article 18** When the Company intends to hire or replace an external auditor, the Audit Committee must formulate deliberation opinions and make recommendations to the board of directors before the board of directors consider relevant proposals.

**Article 19** The Audit Committee is responsible to the board of directors and the committee's proposals shall be submitted to the board of directors for consideration and approval. The Audit Committee shall cooperate with the audit activities of the supervisory committee.

**Article 20** The Audit Committee is authorized by the board of directors to inspect all accounts, books and records of the Company, and has the right to request the management team of the Company to provide data on any matter related to the financial condition of the Company, its subsidiaries or affiliates as necessary to perform its duties. The Audit Committee shall be provided with sufficient resources to perform its duties.

**Article 21** The Chairperson or (in his or her absence) another member of the Audit Committee (who must be an independent non-executive director) must attend the Company's annual general meeting and respond to the shareholders' questions regarding the activities of the Audit Committee and their responsibilities.

## **Chapter 5 Decision-making Procedures**

**Article 22** The audit department is responsible for making the preliminary preparations for the decision-making of the Audit Committee and providing the Company with the relevant written information:

- (i) relevant financial reports of the Company;
- (ii) work reports of internal and external audit institutions;
- (iii) external audit contracts and the relevant working reports;
- (iv) public disclosure of information made by the Company;
- (v) audit reports regarding major connected transactions of the Company; and
- (vi) other relevant matters.

**Article 23** The reports submitted by the audit department shall be discussed in the meetings of the Audit Committee, and its relevant written resolution materials shall be submitted to the board of directors for discussion:

- (i) evaluation of the work of external auditor, and the appointment and replacement of external auditor;
- (ii) reports on whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are true in all aspects;

- (iii) reports on whether information such as financial reports disclosed publicly by the Company are objective and true, and whether the major connected transactions of the Company are in compliance with the requirements of the relevant laws and regulations;
- (iv) evaluation of the work of the internal financial department and audit department, including its responsible person, of the Company; and
- (v) other relevant matters.

## **Chapter 6 Rules of Procedures**

**Article 24** The meetings of the Audit Committee shall include regular meetings and interim meetings. Regular meetings shall be convened at least twice a year and once every six months. Interim meetings shall be convened when proposed by two or more members of the Audit Committee or when considered necessary by the Chairperson. All members must be notified three days in advance of the meeting. The meeting shall be chaired by the Chairperson of the committee. Where the Chairperson is unable to attend the meeting, he/she may delegate another member (independent non-executive director) to preside over the meeting. Upon approval by all members, the said notice period can be waived. Notwithstanding the notice period, the attendance of the members of the Audit Committee at the meeting would be deemed as waiver by such members of the notice period required. The external auditor of the Company can call for a meeting if necessary.

**Article 25** The meetings of the Audit Committee shall not be held unless two-thirds of members are present. Each member shall have one vote and the resolutions of the meeting must be passed by the affirmative vote of a majority of the members. If abstention from voting leads to failure to form an effective review opinion of the Audit Committee, the proposal shall be submitted directly to the board of directors for consideration.

**Article 26** Meeting can be attended in person or via telephone or video conferencing. Members can attend the meeting via telephone or any similar communication device (all persons attending such meetings should be able to hear each other via such communication device). If voting takes place in the meeting, resolutions of the Audit Committee shall be passed by the majority of its members.

**Article 27** Resolutions passed and signed in writing by all members of the Audit Committee shall be effective as if it has been passed at a meeting of the Audit Committee duly convened.



- Article 28** Any member of the Audit Committee who has an interest in the matter discussed at the meeting should avoid the meeting. Members of the Audit Committee shall attend the meeting in person and express explicit opinions on matters under consideration. When a member is unable to attend the meeting in person, he/she may submit a power of attorney signed by the member and entrust other members to attend and express their views on his/her behalf. The scope and duration of the entrustment shall be specified in the power of attorney. A member cannot accept the entrustment of more than one member at a time. If a member who is also an independent non-executive director fails to attend the meeting in person, he/she shall entrust another independent non-executive director to attend on his/her behalf.
- Article 29** The Audit Committee may invite external auditor representatives, supervisors, internal audit personnel, financial personnel, legal consultants of the Company and other relevant personnel to attend its meeting and to provide necessary information. However, only members of the Audit Committee are entitled to vote in the meetings of the Audit Committee.
- Article 30** The Audit Committee may, if necessary, engage an intermediary to provide professional opinion for its decision-making at the expense of the Company.
- Article 31** The convening procedure and voting method of the Audit Committee and the resolutions passed at such meetings shall comply with the requirements of the relevant laws, regulations, the Hong Kong Listing Rules, the Articles of Association and this terms of reference.
- Article 32** The Audit Committee shall keep minutes of the meetings. Members and other persons present at the meetings shall sign on the minutes which shall be kept by the secretary to the Audit Committee for review by the directors. Draft and final versions of the minutes should be sent to all members of the Audit Committee for their comment (in the case of draft versions) and records (in the case of final versions) within a reasonable time after the meeting.
- Article 33** Resolutions passed by and voting result of the meeting of, the Audit Committee shall be reported in writing to the board of directors of the Company.
- Article 34** Members present at the meeting are subject to the obligation of confidentiality on all matters at the meetings and shall not disclose any of the relevant information without authorization.

## Chapter 7 Supplementary Provisions

**Article 35** This terms of reference shall become effective from the date of approval by the board of directors.

**Article 36** For any matters not covered by this terms of reference shall be implemented in accordance with the relevant laws and regulation, the Hong Kong Listing Rules, other requirements of the Hong Kong securities regulatory authority and relevant requirements of the Articles of Association. If the relevant provisions of this terms of reference contravene with the laws and regulations, the Hong Kong Listing Rules, other requirements of the Hong Kong securities regulatory authority and the Articles of Association as enacted or amended in the future, such relevant laws and regulations, the Hong Kong Listing Rules, other requirements of the Hong Kong securities regulatory authority, and the existing or revised Articles of Association shall prevail.

**Article 37** The power of interpretation of this terms of reference shall reside in the board of directors of the Company.

**Article 38** Should there be any discrepancy between the Chinese and the English versions of this terms of reference, the Chinese version shall prevail.