



潼關黃金集團有限公司 Tongguan Gold Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00340)

TONGGUAN GOLD GROUP LIMITED

(the “Company”)

AUDIT COMMITTEE TERMS OF REFERENCE

I. Constitution

Pursuant to the meeting of the board of directors of the Company held on 30 December 1998, the board of directors of the Company (the “Board”) has resolved to establish a Committee of the Board to be known as the Audit Committee (the “Committee”).

II. Membership

1. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and that a majority should be independent and shall consist of not less than three members.
2. The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.

III. Secretary

The company secretary of the Company shall be the secretary of the Committee.

IV. Frequency of Meetings

Meetings shall be held not less than twice a year.

V. Notice of Meetings

1. Usually, meetings are convened by the chairman of the Committee; however, other members of the Committee can also convene meetings as necessary. Notice of at least 3 days should be given of a meeting to give all Committee members an opportunity to attend or over half of the members of the Committee agree the reasonable shorter notice should be given. The external auditors may request a meeting if they consider that one is necessary.

2. The quorum for meetings of the Committee shall be two.

VI. Authority

1. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
2. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

VII. Duties

The duties of the Committee shall be:

Relationship with the Company's auditors

- a. 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;
- b. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- c. to develop and implement policy on engaging of 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- d. 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: -
 - 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and legal requirements in relation to financial reporting;
- e. Regarding (d) above:-
- i. members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - ii. the 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 auditors;

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

- f. to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
- g. 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;
- h. to consider major investigations 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;
- i. where an internal audit function exists, 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;
- j. to review the group's financial and accounting policies and practices;
- k. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- l. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- m. to report to the Board on the matters set out in Appendix 14 of the Listing Rules "Corporate Governance Code";
- n. to consider the major findings of internal investigations and management's response;
- o. to consider other topics, as defined by the Board or handle the job assigned by the Board;
- p. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- q. to act as the key representative body for overseeing the Company's relations with the external auditor.

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

VIII. Minutes of the Meetings

Full minutes of the Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary of the Company). Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records, within a reasonable time after the meeting.

IX. Effective

These terms of reference shall be effected and implemented from the date of the Board meeting approving the document.

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

(Approved by the Board on 27 March 2023 and effective from 1 January 2023)