

# **Minmetals Land Limited**

## **Audit Committee Terms of Reference**

(Amended and effective on 30 December 2015)

### **1. Constitution**

The board of Minmetals Land Limited (“**Company**”) (together with its subsidiaries, collectively “**Group**”) resolved to establish a committee of the board to be known as the Audit Committee (“**Committee**”). The Committee will assist the board in providing independent review of the effectiveness of the system of financial reporting and internal control of the Group and serve as a means to increase board effectiveness, accountability, transparency and objectivity.

### **2. Membership**

Members of the Committee shall be appointed by the board from the non-executive directors of the Company. The majority of the Committee members must be independent non-executive directors. The Committee must comprise a minimum of three members, 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 Listing Rules.

The chairman of the Committee must be an independent non-executive director and shall be appointed by the board.

Manager of Internal Audit Department shall be the secretary of the Committee.

### **3. Attendance of meetings**

The quorum of a meeting must include at least two members of the Committee.

Members of the Committee should liaise with the board and senior management and the Committee must meet, at least twice a year, with the external auditors.

The external auditor must attend the meetings in relation to the review of the half-year and the year-end accounts.

The other directors, external auditors and outsiders with relevant experience and professional knowledge may be invited to attend a particular meeting to answer specific points or concerns raised by the Committee.

#### **4. Frequency of meetings**

Meetings shall be held at least twice a year. The board or the external auditor may request a meeting if they consider necessary. Meetings normally should be held prior to the finalization of the half-year and the year-end accounts to address issues arising from the accounts.

#### **5. Authorization**

The Committee is authorized by the board to direct and supervise an investigation into any matter within its terms of reference. The Committee is also authorized by the board to request the employees to provide information as it considers necessary and to obtain external legal or other independent professional advice.

#### **6. Duties**

The duties of the Committee should include at least the following:-

- (a) to 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) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services. 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) to review the Company's annual report and accounts and half-year report 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;
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting; and
  - (vii) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts;
- (e) to discuss issues addressed by the half-year and the year-end accounts after auditing and any concerns raised by the external auditor and the Financial Controller (without the presence of the management if necessary);
- (f) to 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;

- (g) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to review the Group's financial controls, risk management and internal control and risk management systems;
- (i) to discuss with the management the risk management and systems 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 Group's accounting and financial reporting function, and their training programmes and budget ;
- (j) to consider any findings of major investigations on risk management and internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to review internal audit plan and ensure coordination 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;
- (m) to review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee will ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (n) to act as the key representative body for overseeing the

Group's relations with the external auditors; and

(o) to consider other topics, as defined by the board.

## **7. Reporting Procedures**

The Committee should provide a report to the board on the work performed by the Committee during the period in discharging its responsibilities set out in this terms of reference (including the consideration of results and the review of internal control system).

The secretary of the Committee should send the draft version of minutes of the meeting to all members of the Committee for their comments within five working days after the meeting. The final version will be circulated to the members of the Committee for records. Minutes should record in sufficient detail the matters considered and decisions reached. The secretary of the Committee should keep full minutes of the meetings.

The above reporting matters do not include matters that cannot be reported as restricted by laws or regulations (for example, disclosure restricted by rules and regulations).

## **8. Revision and review**

This terms of reference will be reviewed in accordance with the Listing Rules and the guidelines from the Hong Kong Institute of Certified Public Accountants and any modification will be recommended to the board as needed.