



中國基礎能源控股有限公司
China Primary Energy Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8117)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(Adopted by China Primary Energy Holdings Limited (the “Company”) pursuant to the board resolutions passed on 1 June 2005 and amended and restated pursuant to the board resolutions on 22 March 2023)

1. CONSTITUTION

1.1 The board (the “**Board**”) of directors (the “**Directors**”) of the Company established a committee of the Board known as the audit committee (the “**Committee**”) of the Company with details as described below.

2. MEMBERSHIP

2.1 The members of the Committee shall be appointed by the Board from amongst the non-executive Directors only. The Committee shall consist of 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 5.05(2) of the Rules (the “**GEM Listing Rules**”) Governing of the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The majority of the Committee members must be independent non-executive Directors.

2.2 The chairman of the Committee shall be appointed by the Board and must be an independent non-executive Director.

2.3 A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

3. QUORUM

3.1 The quorum for decisions of the Committee should be any two members of the Committee, of whom at least one should be independent non-executive Director. Meetings could be held in person, by telephone or by video conference. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. ATTENDANCE AT MEETINGS

- 4.1 As necessary or desirable, the Chairman may request that members of management, the head of internal audit and representatives of the external auditors be present at meetings of the Committee. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without the presence of the executive Board members.
- 4.2 The company secretary of the Company shall be the secretary (the “**Secretary**”) of the Committee. In the absence of the Secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Committee, shall attend the meeting and take minutes.

5. FREQUENCY OF MEETINGS

- 5.1 Meetings shall be held not less than 4 times a year. Additional meeting should be held as the work of the Committee demands. The external auditors may request a meeting if they consider that one is necessary.

6. NOTICE OF MEETINGS

- 6.1 A meeting of the Committee may be convened by any of its members or by the Secretary.
- 6.2 Notice of meetings shall be given to all members of the Committee at least 3 working days prior to any such meeting being held, unless all members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member should be deemed waiver of the requisite length of notice by the member.
- 6.3 The notice of meeting stating the date, time and venue of the meeting together with the agenda and accompanying supporting papers shall be sent, in full, to all members of the Committee and to other attendees as appropriate at least 3 working days before the date of the meeting (or such other period as the members may agree).
- 6.4 Proceedings of meetings of the Committee should be governed by the provisions of the articles of association of the Company.
- 6.5 The chief financial officer and/or financial controller of the Company, and a representative of the Company’s external auditors should normally attend the meetings. The Committee may, from time to time, invite any appropriate person to attend the meeting whenever it is necessary. However, only members of the Committee are entitled to vote at the meetings. The Committee should meet with the external auditors in the absence of management (except by invitation of the Committee).

7. AUTHORITY

- 7.1 The Committee is authorised by the Board to (a) investigate any activity within its terms of reference; (b) to inspect all accounts, books and records of the Company; and (c) to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 7.2 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.
- 7.3 Management of the Company is obliged to supply the Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a member of the Committee requires more information than is volunteered by the management of the Company, the relevant member of the Committee should make additional necessary enquiries. Each member of the Committee shall have separate and independent access to the management of the Company.
- 7.4 The Committee should be provided with sufficient resources to perform its duties.

8. DUTIES

- 8.1 The duties of the Committee shall be include the following aspects:

Relationship with the Company's auditor

- (a) to recommend 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 their 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 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 and making recommendations on any matters where action or improvement is needed;

- (d) to review and monitor the independence of external auditors, the Committee shall:
 - (i) evaluate the cooperation received by the external auditors, including their access to all requested records, data and information, obtain the comments of management of the Company regarding the responsiveness of the external auditors, inquire of the external auditors as to whether there have been any disagreements with management of the Company which if not satisfactorily resolved would result in the issue of a qualified report on the financial statements;
 - (ii) 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;
 - (iii) discuss with external auditors, if necessary in the absence of management of the Company, matters relating to the audit fees, any issues or recommendations arising from the audit and any other matters the auditors may wish to raise; and
 - (iv) act as the key representative body for overseeing the relationships between the Company and the external auditor (including the provision of non-audit services);

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 quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, to review the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;

- (f) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management of the Company where necessary);
- (g) In this regard to (e) and (f) above:
 - (i) members of the Committee must liaise with the Board and senior management of the Company 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 such reports 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

- (h) to review external auditors' management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (i) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (j) to discuss the risk management and the internal control systems with management to ensure that management has performed its duty to have an effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function of the Company, as well as those relating to the Company's Environmental, Social and Governance performance and reporting;
- (k) where the internal audit function exists, to ensure co-ordination between the internal and external auditors, ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness;
- (l) 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;
- (m) to review the financial and accounting policies and practices the Company and its subsidiaries;
- (n) 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 risk management and internal control systems;

- (o) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (p) to report to the Board on the matters set out in the code provision under Appendix 15 of the GEM Listing Rules; and
- (q) to consider any other matters, as defined by the Board from time to time.

9. REPORTING PROCEDURES

- 9.1 The Secretary or his representative should circulate the minutes of the meetings and reports of the Committee to all members of the Board. Full minutes of the Committee meetings shall be kept by the Secretary and shall be open for inspection at any reasonable time on reasonable notice by any Director.
- 9.2 The Committee should report to the Board of its findings, decisions and recommendations.
- 9.3 Reports to the Board and minutes of the Committee should be approved by the Committee before submitting to the Board.
- 9.4 Minutes of the Committee meetings shall record in sufficient details the matters considered by the Committee and decision reached, including any concerns raised by the Committee members or dissenting view expressed.
- 9.5 The Secretary should keep full minutes of all Committee meetings. Draft and final versions of minutes of the Committee meetings should be sent to all members for their comments and records respectively, in both cases within a reasonable time after the meeting.

10. PUBLICATION OF TERMS OF REFERENCE

- 10.1 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the websites of the Stock Exchange and the Company.

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