



# **SIBERIAN MINING GROUP COMPANY LIMITED**

## **西伯利亞礦業集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1142)**

### **Terms of Reference of Audit Committee**

#### **1. Membership**

- 1.1 The Audit Committee (the “Committee”) is a committee formed by the board of directors (the “Board”) of Siberian Mining Group Company Limited (the “Company”) which shall comprise at least three members (the “Members”). All of the Members shall be non-executive directors and the majority of the whom should be independent non-executive directors and at least one independent non-executive director possesses appropriate professional qualifications or accounting or related financial management expertise.
- 1.2 If a Member resigns or for any reasons ceases to be a Member with the result that the number of Members falls below three, the Board shall within a reasonable time, but in any case not more than three months, appoint such new Member(s) as may be required to make up to the minimum of three Members.
- 1.3 All Members, including the chairman of the Committee, will hold office only so long as they serve as directors of the Company. The Board shall review their terms of office and the performance of the Committee and each of its Members at least once every three years.

#### **2. The Chairman**

- 2.1 The chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.
- 2.2 The chairman of the Committee, or failing him his duly appointed delegate, shall attend and be available to answer questions at the annual general meeting of the Company.

#### **3. Secretary**

- 3.1 The company secretary of the Company or his nominee shall be the secretary of the Committee (the “Secretary”) unless the Committee determines otherwise.

*\*For identification purpose only*

#### **4. Meetings**

- 4.1 The quorum of the Committee meeting shall be two Members, the majority of which should be independent non-executive directors.
- 4.2 The finance director, the financial controller, the head of internal audit (if any), and a representative of the external auditor shall normally attend meetings. However, at least once a year the Committee shall meet with the external auditor in the absence of executive Board members or 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.
- 4.3 Meetings shall be held not less than twice a year. The external auditor may request a meeting if they consider that one is necessary.
- 4.4 Unless otherwise agreed, notice of meeting of the Committee confirming the venue, date and time should be given to all Members and invitees (if any) at least 14 days before the meeting is held and within reasonable time for additional / adjourned meetings.
- 4.5 An agenda of items and accompanying meeting papers shall be circulated to all Members in a timely manner and at least three days before the intended date of the meeting (or such other period as may be agreed).

#### **5. Duties**

The duties of the Committee shall be:

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

- 5.1.1 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 to any questions of its resignation or dismissal;
- 5.1.2 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;
- 5.1.3 to develop and implement policy on engaging 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;
- 5.1.4 to act as the key representative body for overseeing the Company's relations with the external auditors;

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

- 5.2.1 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports (if any), and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on: -
  - 5.2.1.1 any changes in accounting policies and practices;
  - 5.2.1.2 major judgmental areas;
  - 5.2.1.3 significant adjustments resulting from audit;
  - 5.2.1.4 the going concern assumptions and any qualifications;
  - 5.2.1.5 compliance with accounting standards; and
  - 5.2.1.6 compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other legal requirements in relation to financial reporting;
  
- 5.2.2 Regarding to 5.2.1 above:-
  - 5.2.2.1 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 external auditor; and
  
  - 5.2.2.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts it give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, compliance officer or auditor;

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

- 5.3.1 to review the Company's financial controls, internal control and risk management systems;
  
- 5.3.2 to discuss the internal control system with management to ensure that the management has performed its duty to have an effective internal control system. 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;
  
- 5.3.3 to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
  
- 5.3.4 where an internal audit function exists, to 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 its effectiveness;
  
- 5.3.5 to review the financial and accounting policies and practices of the Company and its subsidiaries;
  
- 5.3.6 to review the external auditor's management letter, any material queries

raised by the auditor to the management about accounting records, financial accounts or systems of control and the management's response;

5.3.7 to ensure that the Board will provide a timely response to the Company raised in the external auditor's management letter;

5.3.8 to report to the Board on the matters in this terms of reference;

5.3.9 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

5.3.10 to consider other topics, as defined by the Board.

## **6. Authority**

6.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to cooperate with any reasonable request made by the Committee.

6.2 The Committee is authorized 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.

6.3 The Committee should be provided with sufficient resources to perform its duties.

## **7. Reporting procedures**

7.1 The Secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

7.2 The minutes of the Committee shall be kept by the Secretary and such minutes should be open for inspection at any reasonable time on reasonable notice by any director.

## **8. Publication of the Terms of Reference**

8.1 The terms of reference of the Committee shall be posted on The Stock Exchange of Hong Kong Limited's website and the Company's website.

*Revised and adopted on 29 March 2012*