



中裕能源控股有限公司

ZHONGYU ENERGY HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)
(Stock Code:3633)

AUDIT COMMITTEE **(the “Committee”)** **TERMS OF REFERENCE** **(Adopted on 31 July 2003 with the last revision approved** **by the Board with effective from 8 December 2023)**

MEMBERSHIP

1. The Committee shall consist of not less than 3 members appointed by the board of directors of the Company (the “Board”), all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors of the Company and at least one of such independent non-executive directors should have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
2. The chairman of the Committee shall be appointed by the Board and must be an independent non-executive director of the Company. The chairman of the Committee shall be consulted on the appointment of other members of the Committee.
3. The company secretary or his nominee shall act as the secretary of the Committee.

FREQUENCY AND PROCEEDINGS OF MEETINGS

4. The Committee should meet at least two times per year at appropriate times in the reporting and audit cycle and otherwise as required. Additional meetings should be held as the work of the Committee demands.
5. Meetings can be convened at the request of the Committee chairman, members or external or internal auditors.

6. Where there is disagreement between the Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement.
7. The quorum of the Committee meeting shall be 2 members.
8. Decisions shall be determined by simple majority and, in the event of a tie, the chairman of the Committee shall have the casting vote.
9. The provisions in the Articles of Association of the Company regulating the meetings and proceedings of the Board shall apply to the meetings and proceedings of the Committee so far as the same are applicable and are not replaced by the provisions in these terms of reference.

AUTHORITY

10. The Committee is authorised by the Board to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. 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. The Committee shall have access to members of management.
11. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
12. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the corporate governance report in the annual report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
13. The Committee is to be provided with sufficient resources to perform its duties, including seeking independent professional advice at the expense of the Company and to secure at the meeting the attendance of outsiders with relevant experience and expertise to advise its members if it considers necessary or desirable.

RESPONSIBILITY

14. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.

15. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the “Group”), and as to the adequacy of the external and internal audits.
16. The chairman or in his absence other member of the Committee should attend the annual general meeting to answer shareholder questions on the Committee’s activities.

DUTIES, POWERS AND FUNCTIONS

17. The duties of the Committee shall include, but shall not be limited to the following:
 - (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 on its resignation or dismissal;
 - (b) to review with the Group’s management, external auditor and internal auditor, the adequacy of the Group’s policies and procedures regarding internal controls (including financial, operational and compliance controls), and unless expressly addressed by a separate risk committee, or by the Board itself, to review the Company’s risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;
 - (c) to have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;
 - (d) to review and monitor the external auditor’s independence, objectivity, the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the external audit and reporting obligations, including the engagement letter, before the audit commences. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;
 - (e) to review and monitor integrity of the Company’s financial statements and the annual report and accounts and interim financial reports, 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:
 - (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 and auditing standards;
 - (vi) methods used to account for significant or unusual transactions where different approaches are possible; and
 - (vii) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (f) with regard to (e) 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 external auditor; 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;
- (g) to review the draft representation letter prior to approval by the Board;
- (h) to evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; to obtain the comments of management regarding the responsiveness of the external auditor to the Group’s needs; to inquire of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group’s financial statements;
- (i) to seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
- (j) to discuss with the external auditor matters relating to its audit fees, any recommendations or issues arising from the audit and any other matters the auditor may wish to raise (if necessary in the absence of management); and to review the external auditor’s draft management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management’s response to the points raised;
- (k) to ensure that the Board will provide a timely response to the issues raised in the external auditor’s management letter;

- (l) to review and monitor the scope, effectiveness and results of internal audit function, 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 Group;
- (m) the engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related 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. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (n) 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;
- (o) to apprise the Board of significant developments in the course of performing the above duties;
- (p) to make recommendations to the Board on any appropriate extensions to, or changes, in the duties of the Committee;
- (q) to consider and review the findings of internal 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, any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- (r) 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 is to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (s) to act as the key representative body for overseeing the Company’s relations with the external auditor;
- (t) to review the Group’s financial and accounting policies and practices;
- (u) to report to the Board on above matters; and
- (v) to consider other topics, as defined by the Board.

REPORTING PROCEDURES

18. Full minutes of meetings of the Committee should be kept by the secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director. The minutes should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of the meetings of the Committee should be sent to all Committee members for their comment and records, within a reasonable time after the meeting.
19. The Committee should report to the Board on a regular basis (without prejudice to the generality of the duties of the Committee as set out in these terms of reference) and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Note: The Chinese version of this document is for reference only. In the event of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.