

NAN NAN RESOURCES ENTERPRISE LIMITED
(formerly known as INTERNATIONAL RESOURCES ENTERPRISE
LIMITED, CHINA SONANGOL RESOURCES ENTERPRISE LIMITED AND
ARTFIELD GROUP LIMITED)

(Incorporated in Bermuda with limited liability)
(the “Company”)

AUDIT COMMITTEE

TERMS OF REFERENCE

Adopted by the board of directors of the Company on 25 March 1999 with revision approved by the board of directors on 30 September 2004, 27 March 2012 and 15 March 2016 respectively

The board of directors of the Company (the “Board”) has approved the following written terms of reference for the Audit Committee (the “Committee”) established by the Company which set out the Committee’s authority and duties:

1. Members, chairman and secretary

- 1.1 The Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and must comprise a minimum of three members, at least one of whom is an independent non-executive director of the Company (“INED”) with appropriate professional qualifications or accounting or related financial management expertise as required under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in their present form or as supplemented or amended or substituted from time to time.
- 1.2 The majority of the Committee members must be INEDs. The criteria for independence are set out in the Listing Rules in their present form or as supplemented or amended or substituted from time to time.
- 1.3 The chairman of the Committee shall be appointed by the Board and must be an INED.
- 1.4 The company secretary of the Company shall be the secretary of the Committee (the “Secretary”).

2. Frequency and proceedings of meetings

- 2.1 Meetings shall be held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meetings may also be held by the Committee from time to time to discuss special projects or other issues which the Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary.
- 2.2 The finance director of the Company, if any, the head of internal audit, if any, and representative of the external auditors of the Company shall normally attend meetings. However, at least once a year the Committee shall meet with the external auditors of the Company without executive Board members and management present.
- 2.3 Unless agreed by all the members of the Committee, the notice period for convening a Committee meeting shall not be less than two clear days (including non-working days).
- 2.4 Any of the Committee members can convene a meeting by giving to the Secretary a notice. Upon receipt of such notice, the Secretary shall notify all other Committee members about the meeting. Any Committee member can also convene a Committee meeting by giving a notice directly to all other Committee members.
- 2.5 Notices referred to above may be given in writing (by letter, facsimile, cable or telex) or orally.
- 2.6 The Committee member or the Secretary convening a meeting shall provide to other Committee members and the Secretary information about the purposes of the meeting, the time, venue and agenda of the meeting and shall supply to each of them all relevant documents of the meeting and such documents shall be despatched together with the agenda of the meeting.
- 2.7 The quorum of a Committee meeting shall be two members of the Committee (excluding the Secretary) and the quorum shall be present at the commencement of and throughout the meeting.
- 2.8 The Committee members may participate in a meeting of the Committee by means of a conference telephone or similar communications equipment whereby all persons participating in a meeting through such media can clearly hear and understand each other and all persons participating in any meeting pursuant to this provision shall be deemed to be present in person at such

meeting.

- 2.9 If within thirty minutes from the time appointed for a meeting, a quorum is not present, upon majority agreement by the members present, the meeting shall stand adjourned. The Secretary or any Committee member can issue the notice for the adjourned meeting. If within ten minutes from the time appointed for the adjourned meeting, a quorum is not present, the Committee members present shall duly constitute a quorum and shall be entitled to exercise all the powers conferred upon the Committee.
- 2.10 The chairman of the Committee shall preside as the chairman of a Committee meeting. If within fifteen minutes from the time appointed for the meeting, the chairman of the Committee is not present, other members present shall choose someone from their number to be the chairman of the meeting.
- 2.11 Each Committee member present in a meeting shall have one vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution are equal, the chairman of the meeting shall have a casting vote.
- 2.12 The Secretary shall attend all meetings of the Committee and shall keep record of all minutes of such meetings. The minutes shall be confirmed by the chairman of that particular meeting and other persons present at such meeting signing the same. The minutes shall be circulated to all members of the Committee and to the Board.
- 2.13 The Committee may invite the Group's executive directors, senior management, external and internal auditors and/or other relevant person(s) to attend a Committee meeting.

3. Written resolutions

- 3.1 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. The Secretary shall keep record of all written resolutions of the Committee.

4. Appointment of an alternate

- 4.1 No members of the Committee shall appoint any alternates.

5. Authority of the Committee

The Committee shall have the following authority:

- 5.1 to investigate any activity within its terms of reference;
- 5.2 to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee; and
- 5.3 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. Duties of the Committee

The duties of the Committee are as follows:

- 6.1 to act as the key representative body for overseeing the Company's relations with the external auditor;
- 6.2 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;
- 6.3 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 obligation before the audit commences and ensure co-ordination where more than one audit firm is involved;
- 6.4 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;
- 6.5 to monitor integrity of the group'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 the accounting policies and practices;
- (ii) major judgemental areas;
- (iii) significant adjustments resulting from the audit;
- (iv) the going concern assumption and any qualifications;
- (v) compliance with accounting standards; and
- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

6.6 Regarding 6.5 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;

6.7 to review the group's financial controls, internal control and risk management systems;

6.8 to discuss the internal control and risk management systems with management to ensure that management has performed its duty to have an effective internal control and risk management systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the group's accounting and financial reporting functions;

6.9 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;

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

6.11 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 group, and to review and monitor its effectiveness;

- 6.12 to consider the major investigation findings on internal control and risk management matters as delegated by the Board or on its own initiative and management's response to these findings;
- 6.13 to review the group's financial and accounting policies and practices;
- 6.14 to review the fairness and reasonableness of any proposed (continuing) connected transaction and the impact of such transaction on the profitability of the group;
- 6.15 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 6.16 to report to the Board on the matters in the provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules; and
- 6.17 to consider other topics, as defined by the Board from time to time.