

## Inner Mongolia Yitai Coal Co., Ltd.

### Terms of Reference of the Audit Committee of the Board of Directors

#### Article 1

**Article 1** In order to strengthen the decision-making function of the board of directors, conduct pre-audit and professional audit, ensure the effective supervision to the management by the board of directors of Inner Mongolia Yitai Coal Co., Ltd. (hereinafter referred to as the "Company") and improve the corporate governance structure, the Audit Committee is herein established and the Terms of Reference herein is prepared in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Code of Corporate Governance for Listed Companies in China, the listing rules of the stock exchanges where the Company's shares are listed, the Code on Corporate Governance of the Hong Kong Listing Rules, the Articles of Association of Inner Mongolia Yitai Coal Co., Ltd. (hereinafter referred to as the "Articles of Association"), the Procedures of Meetings of the Board of Directors of Inner Mongolia Yitai Coal Co., Ltd., and other relevant rules.

**Article 2** The Audit Committee is a body specially constituted under the board of directors pursuant to the resolution of the shareholders' general meeting. It is mainly responsible for proposing engagement or change of external audit organization, supervising the internal audit system and its enforcement, communicating between the internal and external auditing, reviewing financial information and information disclosures of the Company and reviewing the internal control system of the Company. The Audit Committee shall be responsible and report on its work to the board of directors.

#### Article 3

**Article 3** The Audit Committee members shall be composed of four directors, all of whom shall be independent non-executive directors and at least one of whom shall be a professional accountant.

**Article 4** The members of the Audit Committee shall be nominated by the chairman of the board of directors, more than half of the independent non-executive directors or one-third of all directors and be elected by a simple majority of the members of the Board.

**Article 5** The Audit Committee shall have a chairman (a convener) who must be an independent non-executive director majored in accounting and shall take charge of the Committee's work. The chairman shall be elected from the members of the Audit Committee and shall become effective after the result is reported to, and approved by, the board of directors.

**Article 6** The term of office of the Audit Committee shall be consistent with the term of the board of directors. Upon the expiration of his term, a member may serve a consecutive term if re-elected. Where a member ceases to perform the duty as a director of the Company during the term, his membership shall be terminated automatically and the replacement shall be appointed by the Committee in accordance with Articles 3 to 5 above.

**Article 7** The members of the Audit Committee shall meet the following conditions:

- (1) does not fall into the categories where a person shall not serve as a director, supervisors and senior management in accordance with the Company Law or the Articles of Association;
- (2) has not been publicly denounced or declared as an unsuitable candidate by a stock exchange within the last three years;
- (3) has not been subject to administrative penalty by the China Securities Regulatory Commission due to gross violation of laws and regulations within the last three years;
- (4) possesses good moral character, familiarity with the industry of the Company, the ability to conduct macroeconomic analysis and make judgments and relevant expertise and working experience; and
- (5) other requirements in accordance with relevant laws, regulations or the Articles of Association.

**Article 8** The one who does not conform to the qualifications prescribed in the preceding article shall not be elected as a member of the Audit Committee. A member of the Audit Committee who does not conform to the qualifications prescribed in the preceding article during his term shall resign or be replaced by the board of directors.

**Article 9** A working team is constituted under the Audit Committee as a regular working body, which is in charge of liaison and organization of meetings.

## HONGKONG AIRWAYS COMPANY LIMITED

**Article 10** The principal powers and duties of the Audit Committee are:

- (1) to monitor the completeness of the Company's financial statements, annual reports and accounting reports, semi-annual reports and quarterly reports (if to be publicized) and review the major opinions about financial reporting with the statements and reports. The Committee shall pay special attention to the followings:
  - (a) the changes of the accounting policy and practices;
  - (b) the contents involving material judgments;

- (c) the major adjustments due to auditing;
  - (d) the presumption about going concern and qualified opinions;
  - (e) whether the accounting principles are observed; and
  - (f) whether the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other laws and regulations relevant to financial reporting are observed.
- (2) to act as a major representative between the Company and the external auditing organizations, and monitor the relationship between them;
  - (3) to consider and make suggestions regarding the appointment, re-appointment, remuneration and engagement terms of the external auditing organizations and any matters relevant to its resignation or revocation;
  - (4) to discuss with the external auditing organizations about the character and scope of the auditing and relevant reporting duties, and review from time to time whether the auditing procedure is effective and whether the external auditing organizations are objective and independent;
  - (5) to formulate and enforce policies regarding non-auditing services provided by the external auditing organizations. (For the purpose of this Terms of Reference, "external auditing organization" shall refer to any unit controlled, owned or managed by the same person as relevant auditing firm, or a third party which reasonably has the knowledge of all relevant information and shall be concluded as part of the domestic or international business of such auditing firm under a reasonable circumstance). The Audit Committee shall report and provide advice regarding any activities need follow-up or matters need improvement to the board of directors;
  - (6) to examine the Statement on Auditing Condition submitted by the external audit organizations to the management and the substantive questions raised by the auditors regarding the accounting records, financial accounts or control system and the responses given by the management;
  - (7) to ensure the board of directors timely respond to the matters raised from the Statement on Auditing Condition submitted by the external audit organizations to the management;
  - (8) to review and monitor the financial control, internal control and risk management systems, and to ensure the establishment of an effective internal control system by which the management fulfills their duty;
  - (9) to study the substantive investigation results for internal control and responses to such results from the management, on a voluntary basis or based on the appointment of the board of directors;

- (10) to ensure the coordination between the works of both internal and external audit organizations; in addition, ensure enough resources and the suitable status for the operation of the internal auditing function and review and supervise the effectiveness of the internal auditing;
- (11) to review these arrangements of the Company: the employees may secretly draw the attention of the Audit Committee towards wrongful matters about financial reporting, internal control or other matters. The Audit Committee shall ensure to make appropriate arrangements in order for the Company to conduct fair and independent investigations and take suitable measures to such matters;
- (12) to formulate whistle-blowing policies and system, and make the employees and other persons who do business with the Company (e.g. clients and suppliers) secretly draw the attention of the Audit Committee towards wrongful matters about the Company;
- (13) the members of the Audit Committee shall liaise

(4) the Company's condition of

The notice of the Audit Committee meetings shall include, as a minimum, the followings:

- (1) the time and venue of the meeting;
- (2) the issues to be discussed at the meeting;
- (3) the contact of the meeting and contact information; and
- (4) the date of the notice of the meeting.

**Article 15** The Audit Committee meetings shall be held only with the presence of two thirds of the members or above. Each member shall be entitled to one vote. The resolutions made by the meeting must be approved by one half of all the members or above.

**Article 16** The member of the Audit Committee may attend the meetings in person or delegate other members to attend the meetings and exercise the voting rights.

**Article 17** The members of the Audit Committee who delegates other members to attend the meetings and exercise the voting rights shall submit a power of attorney to the president of the meeting. The power of attorney shall be submitted to the president of the meeting no later than the voting of the meeting begins.

**Article 18** The power of attorney shall include, as a minimum, the followings:

- (1) the name of the principal;
- (2) the name of the agent;
- (3) the entrusted matters;
- (4) the term of authorization;
- (5) the instruction on how to exercise the voting rights (i.e. for, against, abstain) in respect of the proposals of the meeting and the declaration about whether the agent can vote based on his own decision when there is no specific instruction; and
- (6) the signature of the principal and the signing date.

**Article 19** The members of the Audit Committee shall be regarded as absent from the meetings if he does not attend such meetings in person, nor delegate a member to attend such meetings on his behalf. The members of the Audit Committee shall be regarded not capable to perform his duty if he does not attend the meetings twice successively and the board of the directors of the Company may revoke his position as a member.

.. **rt, Je2 0** At the Audit Committee meetings, voting shall be made by a show of hands or by casting of vote; special meetings may take the form of correspondence.

.. **rt, Je2 1** The members of the working team of the Audit Committee may attend the Audit Committee meetings as observers. The directors, supervisors and other senior management may also be invited to attend the Audit Committee meetings as observers if necessary. The observers do not have the right to vote.

.. **rt, Je22** If necessary, the Audit Committee may appoint intermediaries to provide professional advice for its decision-making at the costs and expenses of the Company.

.. **rt, Je2 3** The convening procedure and voting method of the Audit Committee meetings and the resolutions passed at such meetings shall comply with the relevant laws, regulations, the Articles of Association and these Terms of Reference.

.. **rt, Je2 4** The Audit Committee meetings shall have minutes on which members of the Committee attending the meetings shall sign. Any member who objects to the minutes may not sign, but shall submit a written opinion to the board secretary within the aforementioned period. If errors or omissions occur to the minutes, the board secretary shall revise and the members shall sign after such revision. The minutes shall be lodged by the board secretary for ten years.

The minutes of the Audit Committee meetings shall include, as a minimum, the followings:

- (1) the date, venue and the convener of the meeting;
- (2) the names of the attendees with indications if an agent is entrusted for the meeting;
- (3) the meeting agenda;
- (4) the key points of the members' speeches;
- (5) the voting method and poll results for each resolution (the poll results shall explicitly indicate the voting numbers in respect of for, against and abstain); and
- (6) other matters need to be indicated and recorded in the meeting minutes.

.. **rt, Je2 5** Resolutions passed and voting results of the Audit Committee meetings shall be reported to the board of directors of the Company in writing.

.. **rt, Je2 6** Members present at the meetings shall have an obligation to keep all matters discussed in such meetings confidential, and shall not disclose the relevant information without authorization.

.. **rt, Je 2** The Audit Committee shall decide the schedule of auditing annual financial reports through negotiation with the external auditing organizations. The Audit Committee of the board of directors has the right to know the progress of the external auditors' work and any problem discovered during the auditing, urge the external auditing organizations to submit auditing reports within the period agreed. The Audit Committee of the board of directors shall record the method, times and results of the urges in writing which shall be confirmed with the signature of relevant persons in charge.

.. **rt, Je 8** The Audit Committee shall review the financial accounting reports prepared by the Company and put down its opinions in writing before entrance of the certified public accountants for annual review; strengthen the communication with certified public accountants for annual review after their entrance, and review the financial accounting reports of the Company after the certified public accountants for annual review give their preliminary audit opinions and put down its opinions in writing. The Audit Committee shall duly consider any material or uncommon matters reflected or need to be reflected from such reports and accounting reports, and shall consider any matters raised by the accountants and financial reporting personnel, compliance officer within the Company or the certified public accountants for annual review.

.. **rt, Je 9** The Audit Committee shall vote for the annual financial accounting reports and submit such reports to the board of directors after the resolutions are formulated. In the meanwhile, the Audit Committee shall submit the final report about engaging the external auditing organizations in the Company's auditing for the current year and the resolution regarding renewing or changing of the engagement of external auditing organizations for the next year to the board of directors. The above-mentioned materials formulated by the Audit Committee of the board of directors shall be disclosed with the annual reports.

.. **rt, Je 30** The Company shall not change the engagement of external auditing organizations during the auditing of annual reports in principle, and if the change of engagement is indeed necessary, the Audit Committee shall meet the previous external auditing organizations and the one to be engaged with, and make reasonable appraisals for practicing qualities of the both, formulate its opinions based on judgment of the sufficiency of reason for changing of the external auditing organization. After such opinion is passed by board resolutions, a resolution shall be passed at the shareholders' meeting and the external auditing organization which is subject to change shall be notified to attend and express its opinions at the shareholders' meeting. The Company shall fully disclose the resolution of the shareholders' meeting and the statements from the external auditing organization which is subject to change.

When the Audit Committee renews the engagement of the external auditing organization for the next year, the Audit Committee shall make comprehensive and objective appraisals about the auditing work completed by the annual auditing accountants and its practicing quality, submit the written positive opinion of such appraisals to the board of directors for approval and hold shareholders' meeting; if a negative opinion is formulated, a new external auditing organization shall be engaged.



When the Audit Committee changes the engagement of the external auditing organization for the next year, it shall fully understand and properly evaluate both the previous and the proposed external auditing organizations by face-to-face communication, submit its opinion to the board of directors and hold a shareholders' meeting for approval of such opinion.

The above-mentioned information about communications, appraisals and suggestions shall be recorded in writing and signed by the parties, and be reported to the securities regulatory bureau where the Company is located within three working days after the disclosure of resolutions from the shareholders' meeting.

**Article 31** The finance department of the Company is responsible for coordinating the communication between the Audit Committee of the board of directors and the certified public accountants for annual review and creating the conditions for the Audit Committee of the board of directors to perform duties of formulating the annual reports.

**Article 32** The above-mentioned materials formulated by the Audit Committee shall be disclosed with the annual reports.

## H. T R U M T R U R O W A O

**Article 33** These Terms of Reference shall come into effect on the date the board resolution is approved.

**Article 34** Any matters not covered by these Terms of Reference shall be implemented in accordance with the provisions of the relevant laws and regulations of the State and the Articles of Association. Should these Terms of Reference conflict with future laws and regulations of the State or the Articles of Association amended through lawful procedures subsequently, the relevant State laws and regulations and the Articles of Association shall prevail, and these Terms of Reference shall be revised immediately and the revision shall be reported to the board of directors for consideration and approval.

**Article 35** The power to formulate, amend and interpret these Terms of Reference rests with the board of directors of the Company.

**Article 36** These Terms of Reference are made in Chinese and the English translation is for reference only. Should there be any inconsistency or discrepancy between the English and the Chinese versions, the Chinese version shall prevail.

Board of Directors of Inner Mongolia Yitai Coal Co., Ltd.  
15 August 2016