



**Tibet Water Resources Ltd.**

**西藏水資源有限公司**

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1115)

**TERMS OF REFERENCE OF THE  
AUDIT COMMITTEE**

**(Adopted on 23 March 2012 and  
amended on 31 December 2018)**

## **TIBET WATER RESOURCES LTD.**

### **Terms of Reference of the Audit Committee (adopted on 23 March 2012 and amended on 31 December 2018)**

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#### Date of adoption

The following terms of reference (“**these Terms**”) of the Committee (as defined herebelow) was adopted by the Company (as defined herebelow) on 23 March 2012 and amended on 31 December 2018 and have become effective upon such adoption and amendment. All other terms of reference of the Committee previously adopted by the Company, if any, should be of no effect and superseded by these Terms.

#### Constitution

1. The audit committee (the “**Committee**”) of Tibet Water Resources Ltd. (formerly known as “Tibet 5100 Water Resources Holdings Ltd.” (the “**Company**”)) was established pursuant to the resolution of the board (the “**Board**”) of directors (the “**Directors**”) of the Company passed on 14 June 2011.

#### Composition and Quorum

2. The member of the Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors.
3. The quorum for a meeting of the Committee shall be two members.
4. At least one of the Committee members shall be an independent non-executive Director with appropriate qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
5. The chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.
6. A former partner of the Company’s existing auditing firm (i.e. the external auditor) (the “**Auditor**” or the “**Audit Firm**”) should be prohibited from acting as a Committee member for a period of 2 years from the date of his/her ceasing (i) to be a partner of the Auditor, or (ii) to have any financial interest in the Auditor, whichever is later.
7. The company secretary of the Company shall be the secretary of the Committee. The secretary of the Committee or, in his/her absence, his/her representative or any one member of the Committee shall be the secretary of the meetings of the Committee.

### Attendance at meetings

8. Attendees shall normally include the Committee's members, the chief financial officer of the Company, the head of internal audit (where an internal audit function exists) of the Company, representative(s) of the Auditor and those with meaningful input to the Committee's activities. However, at least once a year the Committee shall meet with the Auditor and internal auditor (if any) without executive Directors present.

### Frequency and proceedings of meetings

9. Meetings shall be held not less than twice a year or, if quarterly reports of the Company are prepared for publication, four times a year. In addition, (i) the Committee shall meet as and when necessary or as requested by any Committee member; and (ii) the Auditor may, as and when it considers necessary, request a meeting.
10. The provisions of the articles of association of the Company regulating the meetings and proceedings of the meetings of the Directors, insofar as the same are applicable and not inconsistent with the provisions of these Terms, shall *mutatis mutandis* apply to regulate the meetings and the proceedings of the meetings of the Committee.

### Authority

11. The Committee is authorised by the Board to investigate any activity within these Terms. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
12. 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.

### Duties

13. The Committee shall:

*(with regard to relationship with the Auditor)*

- (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditor, and to approve the remuneration and terms of engagement of the Auditor, and any questions of its resignation or dismissal;

- (b) review and monitor the 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 and ensure co-ordination where more than one Auditor is involved;
- (c) develop and implement policy on engaging an Auditor to supply non-audit services. For this purpose, 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 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 it considers that action or improvement is needed;

*(with regard to the review of the Company's financial information)*

- (d) monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly 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 audit;
  - (iv) the going concern assumptions and qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(e) regarding (d) 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 Auditor; and
- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and 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 Auditor;

*(with regard to oversight of the issuer's financial reporting system and internal control procedures)*

- (f) review the Company's financial controls, internal controls and risk management systems;

- (g) discuss the internal control system with management to ensure that 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;
- (h) 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;
- (i) discuss problems and reservations arising from the interim and final audits, and any matters the auditor(s) may wish to discuss (in the absence of management where necessary);
- (j) review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of controls and management's response;
- (k) review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (l) (where an internal audit function exists) ensure (i) co-ordination between the internal auditor and the Auditor, and (ii) that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (m) ensure that the Board will provide a timely response to the issues raised in the Auditor's management letter;
- (n) report to the Board on the matters set out in these Terms and those terms in the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (as amended from time to time);
- (o) review the financial and accounting policies and practices of the Company and its subsidiaries;
- (p) review arrangements by which employees of the Company 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;
- (q) act as the key representative body for overseeing the Company's relations with the Auditor; and
- (r) consider other topics, as defined by the Board.

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

### Reporting procedures

15. The Chairman of the Committee shall report directly to the Board on the Committee's findings and its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
16. 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.
17. The secretary to the Committee shall keep full minutes of all Committee meetings. Minutes of a Committee meeting shall record in sufficient detail the matters considered by the Committee members and decisions reached, including any concerns raised by the Committee members and dissenting views expressed during the Committee meeting. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records respectively, in both cases within a reasonable time after the relevant meeting.
18. The secretary to the Committee shall also circulate the minutes of meetings, reports and all written resolutions of the Committee to all members of the Board, unless a conflict of interest exists or for the reasons mentioned in paragraph 15 above.
19. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the Auditor, the Company should include in the corporate governance report set out in the Company's annual report(s) a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

### Powers of the Board

20. The Board may, subject to compliance with the articles of association of the Company and the Listing Rules, amend, supplement and revoke these Terms and any resolution passed by the Committee provided that no amendments to and revocation of these Terms and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if these Terms or the resolutions had not been amended or revoked.

### Publication of these Terms

21. A copy of these Terms shall be made available on the Stock Exchange's website and the Company's website.

Language

22. The English text of these Terms shall prevail over the Chinese text in case of any inconsistency.