



Courage Marine Group Limited

(勇利航業集團有限公司)

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1145)

(Singapore Stock Code: E91.SI)

TERMS OF REFERENCE FOR AUDIT COMMITTEE COURAGE MARINE GROUP LIMITED (THE "COMPANY")

1. Membership

- 1.1 The Audit Committee (the "Committee") shall be appointed by the Board of Directors of the Company (the "Board") from amongst its members, and shall comprise not fewer than three (3) members, all of whom shall be non-executive directors (see Note 1 below).
- 1.2 The Chairman of the Committee shall be elected by the Board.
- 1.3 The majority of the members of the Committee, including the Chairman, shall be independent (see Note 2 below).
- 1.4 Members shall be appropriately qualified to discharge their responsibilities.
- 1.5 At least two (2) members shall have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.
- 1.6 A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least one (1) month's notice.
- 1.7 The office of a member shall become vacant upon the member's resignation, retirement, removal or disqualification as a Director of the Company.
- 1.8 Any vacancy in the Committee shall be filled within two (2) months or any such time as the Board may feel is necessary to find a suitably qualified member to appoint to the Committee.
- 1.9 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Company's audit committee for a period of one [1] year commencing on the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

Note 1

"Non-Executive Director" means a Director who is not an employee of, and does not hold any other office of profit in, the Company or any subsidiary or associated company of the Company in conjunction with his office of Director and his membership of the Committee.

Note 2

An "independent" Director is one who does not have a relationship which, in the opinion of the Board, would interfere with the exercise of Independent judgment in carrying out the functions of the Committee.

An "independent" Director is one who has no relationship with the Company, its related companies (i.e. its subsidiaries, fellow subsidiaries or parent company) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement. Examples of relationships which would deem a Director not to be independent, include:-

- (a) a Director being employed by the Company or any of its related companies for the current or any of the past three (3) financial years;
- (b) a Director who has an immediate family member (i.e. spouse, child, adopted child, step-child, brother, sister and parent) who is, or has been in any of the past three (3) financial years, employed by the Company or any of its related companies as a senior executive officer whose remuneration is determined by the Company's remuneration committee;
- (c) a Director accepting any compensation from the Company or any of its related companies other than compensation for board service for the current or immediate past financial year; or
- (d) a Director being a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organisation to which the Company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments in the current or immediate past financial year. As a guide, payments (except for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance, credit card or bank or brokerage or mortgage or insurance accounts or transactions), unless special or favourable treatment is accorded) aggregated over any financial year in excess of S\$200,000 should generally be deemed significant.

The four relationships set out above are not exhaustive, and are examples of situations which would deem a Director to be not independent. In addition to the above relationship, the factors set out in Rule 3.13 of the Listing Rules of The Stock Exchange of Hong Kong (HKEx Rules) shall be taken into account in assessing whether a non-executive director is "independent". In the event of any conflict between the above relationship and the factors set out in Rules 3.13 of HKEx Rules, the more onerous provisions shall prevail.

If the Company wishes, in spite of the existence of one or more of the relationships in the paragraph above or the factors set out in Rule 3.13 of HKEx Rules, to consider the Director as independent, it should disclose in full the nature of the Director's relationship and bear responsibility for explaining why the Director should be considered independent prior to his appointment.

2. Administration

2.1 Meetings

- (a) The Committee shall meet at least twice a year and is authorised to meet together at any place for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and questions arising at any meeting shall be decided by a majority of votes. In the event of an equality of votes, the Chairman of the meeting at which the proceedings were held shall have a casting vote.

- (b) Any member of the Committee shall have full discretion to invite any Director or member of the management of the Company to attend meetings of the Committee. Such meetings may also be attended by:-
- the Chief Executive Officer;
 - the Chief Financial Officer;
 - the Head of Internal Audit; and
 - the representative of the external auditors.
- (c) The Committee shall cause minutes of all proceedings of the Committee to be entered in the Minute Book of the Company and those minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.
- (d) Unless a meeting is required to be convened by law or regulation, a resolution in writing signed by all the members of the Committee for the time being shall be valid and effectual as a resolution duly passed at a meeting of the Committee duly convened and held notwithstanding that such signing may take place at different times or places.
- (e) The notice and agenda of meetings shall be circulated at least seven (7) days before the scheduled meetings to all members of the Committee.
- (f) A member of the Committee who is in any way whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of his interest at a meeting of the Committee.
- (g) A member of the Committee shall not vote in respect of any contract or proposed contract or arrangement with the Company in which he has directly or indirectly a personal material interest and if he shall do so his vote shall not be counted.

2.2 Quorum

No business shall be transacted at any meeting of the Committee unless a quorum is present when the meeting proceeds to business. For all purposes the quorum shall comprise a majority of the members of the Committee.

3. **Duties and Responsibilities**

3.1 The duties and responsibilities of the Committee shall be as follows:-

- (a) review the scope and results of audit, its cost effectiveness and the objectivity of the external auditors;
- (b) review and monitor the independence of the external auditors annually;
- (c) where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep under review the nature and extent of such services, so as to balance the maintenance of objectivity and value for money. For this purpose, auditors 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or

internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

- (d) monitor integrity of financial statements of the Company and the Company's 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 this regard, 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 any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and other legal requirements in relation to financial reporting;

In regard to the above,

- (i) members of the Committee must liaise with the Board and senior management and the Committee must meet, at least twice a year, with the issuer's auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports 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
- (e) review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- (f) meet with the external auditors and internal auditors without the presence of the Company's management at least once a year;
- (g) review, at least annually, the effectiveness of the Company's material internal controls, financial controls and risk management systems, including a review of interested person transactions. (see Note 3);
- (h) to discuss with the management the system of internal control and 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;
- (i) ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company (see Note 4);
- (j) review and monitor the effectiveness of the internal audit function;

- (k) ensure, at least annually, the adequacy of the internal audit function;
- (l) review the group's financial and accounting policies and practices;
- (m) to review with the external auditors:-
 - the audit plan, including the nature and scope of the audit and reporting obligations before the audit commences;
 - their evaluation of the system of internal accounting controls;
 - their audit report;
 - their management letter and Management's response and provide a timely response; and
 - any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (n) to ensure co-ordination where more than one audit firm is involved;
- (o) to discuss problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- (p) to review the assistance given by management to the auditor;
- (q) to review the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account, before approval by the Board;
- (r) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;
- (s) to report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;
- (t) to undertake such other reviews and projects as may be requested by the Board;
- (u) to consider and make recommendations to the Board on the appointment/re-appointment of the external auditors, the audit fee, the terms of engagement and matters relating to the resignation or dismissal of the auditors;
- (v) to consider any findings of major investigations of internal control matters as delegated by the Board or on the Committee's own initiative and management's response to these findings;
- (w) to report to the Board on the matters set out in section headed "Code Provisions" under code C.3 (Audit Committee) of appendix 14 to the Listing Rules; and
- (x) to disclose the following information in the Company's annual report:-
 - names of the members of the Committee;

- details of the Committee's activities;
- number of Committee meetings held in that year; and
- the attendance of individual directors at such meetings.

3.2 The Committee is also responsible for ensuring that any interested person transactions entered into by the Company is entered into on an arms length basis and on terms and conditions not more favourable to the interested person than if such transaction was entered into with an unrelated third party so as to ensure that the Company is not disadvantaged by reason of transacting with the interested person rather than a third party (see note 5).

The duties and responsibilities of the Committee in relation to interested person transactions shall be as follows:-

- (a) review , at least quarterly, any interested person transactions;
- (b) ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting standards, are complied with;
- (c) review the internal control reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with; and
- (d) review, from time to time, such guidelines and procedures established to monitor interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that transactions between the Company and interested persons are conducted at arm's length and on normal commercial terms.

3.3 The responsibilities for implementing risk management are primarily assigned to management. The Board is responsible for the overall governance of risk within the Company. The Committee ensures an adequate internal control environment is aligned with the entrepreneurial philosophy of the Company as well as compliance with the Singapore Code of Corporate Governance and the Hong Kong Corporate Governance Code , both amended and updated in 2012 ("Codes").

The Committee has the authority to deal with, and where applicable resolve, determine and recommend to the Board, all matters falling within the scope of its purpose and duties as set out herein and all other matters that may be delegated by the Board to the Committee from time to time, including:-

- (a) to recommend principles, policies, processes and control frameworks for the management of risk;
- (b) to recommend any changes to risk appetite, as appropriate;
- (c) to sub-delegate its powers and discretions to the Chief Risk Officer or executives of the Company, with or without power to delegate further;
- (d) to advise the Board and facilitates the risk management and monitoring the risk management processes on an ongoing basis;
- (e) to provide the Board annually, or as required, with an update on the high risks, risk monitoring activities and actions taken; and

- (f) to provide the Board with a register of identified risks or updated risks including suggested controls, relevant action plans, the action plan owners and the timeframe on a biennial, or on a periodic basis.
- (g) to provide the Board with comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.

The Committee may appoint the Chief Executive Officer, the Chief Financial Officer, or a Senior Executive to be responsible for:

- (a) Recommending the risk management system and risk appetite to the Committee;
- (b) Establishing the recommended risk management policy, risk organisation and risk assessment approach within the Company;
- (c) Collating the sources of assurance, which inform how effectively risk is managed and the effectiveness of the risk management system, and report the results to the Committee.

Note 3

The Company's internal controls include financial, operational and compliance controls, and risk management. Review of the Company's internal controls can be carried out by the internal and/or external auditors.

Note 4

The internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.

Note 5

- (a) An "interested person" means:
 - (i) a director, chief executive officer, or controlling shareholder of the Company; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder.
- (b) "interested person transaction" means a transaction between the Company, any of its subsidiaries, or associated companies provided the Company or the Company and its interested person(s) have control over the associate company, and an interested person.

4. Reporting Procedure

- 4.1 The minutes of all meetings of the Committee shall be circulated to all members of the Committee as soon as practicable after each meeting.