



ORIENTAL EXPLORER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 430)

Terms of Reference of the Audit Committee

adopted on 28 March 2012 and revised on 22 August 2016

This document has been translated into Chinese. In case of discrepancies between the English version and the Chinese version, the English version shall prevail.

TERMS OF REFERENCE OF AUDIT COMMITTEE

The board of directors (the “Board”) of Oriental Explorer Holdings Limited (the “Company”) established a board committee named audit committee (the “Committee”), the terms are as follows:

1 Membership

- 1.1 The Committee should comprise a minimum of three members, appointed by the Board from the directors from time to time. All Committee members should be non-executive directors, at least one of whom is an independent non-executive director with 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”). The majority of the Committee members should be independent non-executive directors of the Company.
- 1.2 The Committee must be chaired by an independent non-executive director.
- 1.3 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of 1 year from the date of his ceasing:
 - (a) to be a partner of the auditing firm; or
 - (b) to have any financial interest in the auditing firm, whichever is later.
- 1.4 The company secretary or a person designated by the Committee from time to time shall act as the secretary of the Committee.

2 Meeting and Proceeding of the Committee

- 2.1 The Committee meeting should be held at least twice every year, and the Committee should meet with the Company’s auditors at least twice a year. The external auditors may request a meeting if they consider that one is necessary.
- 2.2 The quorum of a Committee meeting shall be two members.
- 2.3 All of the provisions relating to proceeding of the Board meeting in the Articles of Association of the Company are deemed to have been made necessary adjustments and be applicable to the Committee meeting.
- 2.4 The Finance Director, the Head of Internal Audit, and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without executive Board members present.
- 2.5 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it has been passed at a meeting of the Committee duly convened and held.

- 2.6 Full minutes shall be kept by the secretary of the Committee. Draft and final versions of minutes shall be circulated to all members for their comment and records within a reasonable period of time after the meeting. Finalised minutes shall be sent to all other members of the Board for information.

3 Annual General Meeting

- 3.1 The Chairman of the Committee or in his absence, another member (who must be an INED) of the Committee, shall attend the Company's Annual General Meetings and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

4 Powers

- 4.1 The Committee has been granted the power to investigate any activities in respect of the Company and its subsidiaries (collectively the "Group") by the Board within its terms of reference. The Committee may collect required information from the staff of the Group, ask them to attend the Committee meeting and respond to the enquiries. All employees are directed to co-operate with any request made by the Committee.
- 4.2 The Committee could seek legal and other independent professional advice and invite those with relevant experience and expertise to attend the Committee meeting where necessary.
- 4.3 The Committee should be provided with sufficient resources to perform its duties.
- 4.4 The Committee should 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 should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 4.5 The Committee should act as the key representative body for overseeing the Company's relations with the external auditor.

5 Duties

- 5.1 The duties of the Committee include but are not limited to the followings:

Relationship with the Company's auditors

- (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 of its resignation or dismissal;
- (b) 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 obligations before the audit commence;

- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. It is in general prohibited to engage the external auditor for non-audit services 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company’s financial information

- (d) to 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 any 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 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;

Oversight of the Company’s financial reporting system, risk management and internal control systems

- (f) to review the Company’s financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company’s risk management and internal control systems;

- (g) 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;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) 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 Company, and to review and monitor its effectiveness;
- (j) to review the Group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in this terms of reference; and
- (n) to consider other topics, as defined by the Board.

5.2 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of The Stock Exchange of Hong Kong Limited and the Company's website.

5.3 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 to include an explanation of the Committee's recommendation and the reasons why the Board has taken a different view.

6 Reporting Procedure

6.1 The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board.