

**NewOcean Energy Holdings Limited**  
**(新海能源集團有限公司)\***  
(the “Company”)  
(*Incorporated in Bermuda with limited liability*)

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**Terms of reference of the Audit Committee**  
**(“Audit Committee” or “Committee”)**  
**of the Board of Directors (“Board”) of the Company**  
( *revised on 30 March 2012*)

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**1. Constitution**

- 1.1 The Committee has been established and re-constituted pursuant to a resolution passed by the Board at its meeting held on 12<sup>th</sup> September, 2005.

**2. Membership of the Audit Committee**

- 2.1 The Committee shall consist of such number of members, which shall not be less than three, appointed by the Board from amongst the directors of the Company. A majority of members of the Committee which shall be independent non-executive directors and at least one independent non-executive director shall have 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.
- 2.2 The Chairman of the Committee shall be appointed by the Board from amongst the members of the Committee who are independent non-executive directors.
- 2.3 The Company Secretary or such other person appointed by the Committee shall be the secretary of the Committee.
- 2.4 The Board may by resolution appoint additional members to or remove members from the Committee, provided that no appointment/removal shall take effect if as a result of such appointment/removal the number of members of the Committee shall be reduced to below three, or the number of independent non-executive directors shall no longer constitute a majority of the members of the Committee.

*\* for identification purpose only*

### **3. Meetings of the Audit Committee**

- 3.1 Unless otherwise agreed by all the members, meetings of the Committee shall be called by at least seven days' notice. Notice shall be given to each Committee member in person orally or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone number or facsimile number or address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine. Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- 3.2 A Committee member may and, on the request of any Committee member the secretary to the Committee shall, at any time summon a Committee meeting.
- 3.3 Notice of meeting of the Committee shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting.
- 3.4 The quorum at a meeting of the Committee shall be two members and the majority shall be independent non-executive directors inclusive of the chairman of the Committee.
- 3.5 The Committee shall meet at least twice each year. Additional meetings should be held as the business of the Committee demands.

### **4. Written resolutions**

- 4.1 Resolutions of the Committee may be passed by all Committee members in writing.

### **5. Responsibilities and Powers of the Audit Committee**

- 5.1 It shall be the responsibility of the Committee

#### *Relationship with the Company's auditor*

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to

approve the remuneration and terms of engagement of external auditor, and any questions of resignation or dismissal of that auditor;

- (b) to review and monitor the external auditor's independence and objectivity;
- (c) to review and monitor the effectiveness of the audit process in accordance with applicable standard and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external 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 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;

*Review of financial information of the Company*

- (e) to 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 the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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 assumption 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 and other legal requirements in relation to financial reporting
- (f) in regard to (e) above

- (i) members of the Committee must liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant and the Committee must meet, at least once a year, with the Company's auditor; and
- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

*Oversight of the Company's financial reporting system and internal control procedures*

- (g) to review the Company's financial controls, internal control and risk management systems;
- (h) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (j) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to review the external auditor's management letter, 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial

reporting, internal control or other matters;

(o) to report to the Board on the matters set out in these terms of reference; and

(p) to consider other topics as requested by the Board.

5.2 In the discharge of its responsibilities the Committee shall have the following powers:

(a) to investigate any activity within its terms of reference;

(b) to seek any information it requires from the Company's management for the purposes of discharging its responsibilities; and

(c) to obtain sufficient resources to discharge its responsibilities

## **6. Attendance at General Meeting**

6.1 The chairman, or if appropriate, a member of the Committee shall attend each year at the annual general meeting of the Company in accordance with arrangements made by the Chairman of the Board and be available to answer questions at the annual general meeting.

## **7. Minutes of the Audit Committee**

7.1 At a meeting of the Committee, full minutes should be kept by a duly appointed secretary for the meeting. Minutes of the Committee should be open for inspection at any reasonable time on reasonable notice by any director of the Company.

7.2 Minutes of the Committee should record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comments and records respectively, in both cases within a reasonable time after the meeting is held.