

BRIGHTOIL PETROLEUM (HOLDINGS) LIMITED

光滙石油(控股)有限公司

(incorporated in the Bermuda with limited liability)



**TERMS OF REFERENCE
OF
THE AUDIT COMMITTEE**

(Amended at the Board Meeting on 22 September 2015)

A. Constitution

Pursuant to the resolution passed by the board (“**Board**”) of directors (“**Directors**”) of Brightoil Petroleum (Holdings) Limited (“**Company**”), an audit committee (“**Committee**”) was established as the audit committee of the Board.

B. Committee

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board from amongst the independent non-executive Directors of the Company only and shall consist of not less than three (3) Members. (“**Members**”, each a “**Member**”)
- 1.2 The chairman of the Committee (the “**Chairman**”) must be a Member and shall be appointed by the Board.
- 1.3 The secretary of the Committee shall be appointed by the Board. The company secretary shall be the secretary of the Committee.
- 1.4 The appointment of the Members and secretary of the Committee may be revoked, or additional Members may be appointed to the Committee by separate resolutions passed by the Board.
- 1.5 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 one (1) year from the date of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm.

whichever is later.

2. Proceedings of the Committee

2.1 Notice

- 2.1.1 Unless otherwise agreed by all Members, a meeting of the Committee (the “**Meeting**”) shall be called by at least three (3) days’ notice.
- 2.1.2 A Member may and, on the request of a Member, the secretary of the Committee shall, at any time summon a Meeting. Notice shall be given to each Member, at least three (3) days before the date of the Meeting, orally in person or in writing or by telephone or facsimile transmission at the telephone number or facsimile number or address from time to time notified to the secretary by such Member or in such other means as the Members may from time to time determine. Any notice given orally shall be confirmed in writing.

2.1.3 Notice of Meeting shall state the date, 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 for the purpose of the Meeting.

2.2 Minutes of Meetings

Full minutes of the Meetings should be kept by the company secretary. Draft and final versions of minutes of the Meetings should be sent to all Members for their comment and records, within a reasonable time after the Meeting.

2.3 Quorum

The quorum of the Meeting shall be constituted by two (2) Members.

2.4 Attendance of Meetings by non-members

Other members of the Board, apart from the Members, shall have the right to attend any Meetings, but shall not be counted in the quorum of the relevant Meetings.

2.5 Frequency of Meetings

Meeting shall be held at least twice every year. The Members may call any Meeting at any time when necessary.

2.6 Voting

Resolutions of the Committee at any Meeting shall be passed by a majority of votes of the Members present.

2.7 Others

Meeting could be held in person, by telephone or by video conference. Members may participate in a Meeting by means of a telephone conference or similar communication equipment by means of which all persons participating in the Meeting are capable of hearing each other.

3. Written resolutions

Resolutions may be passed by all Members in writing. Resolutions signed by all Members will be treated valid as if it is passed in a meeting held by the Committee.

4. Alternate members

No Members shall appoint any alternate.

5. Authority

The Committee may exercise the following powers: -

- (a) to seek any information it requires from any employee of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- (c) to call any employee to be questioned at the Meeting as and when required.

6. Duties

The duties of the Committee shall include, without limitation:-

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 commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit 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 judgements 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**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 under the code provision C.3 of the Corporate Governance Code (Appendix 14 to the Listing Rules);
- (n) to 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;

- (o) to act as the key representative body for overseeing the Company's relationship with the external auditor; and
- (p) to consider other topics, as defined by the Board.

7. Corporate Governance delegated by the Board

To ensure the upheld of good corporate governance including, but not limited to:-

- (a) to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- (e) to review the compliance of the Company with the Corporate Governance Code and the disclosure requirements for the Corporate Governance Report.

8. Annual general meetings of the Company

The Chairman or another Member shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders of the Company on the Committee's activities and responsibilities.

9. Continuing application of the Bye-Laws of the Company

The Bye-Laws of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and not inconsistent with the provisions herein shall apply, *mutatis mutandis*, to regulate the Meetings and proceedings of the Committee.

10. Powers of the Board

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