



**ENERGY INTERNATIONAL INVESTMENTS HOLDINGS LIMITED**

**能源國際投資控股有限公司\***

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 353)

**Audit Committee**  
**Terms of reference**  
(revised in March 2016)

**1. Constitution**

1.1 The Board of Directors (the “**Board**”) of the Company has resolved to established the Audit Committee (the “**Committee**”).

**2. Membership**

2.1 Members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and shall consist of not less than three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2.2 The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.

2.3 The Company Secretary of the Company shall be the secretary of the Committee.

**3. Proceedings of the Committee**

3.1 *Notice:*

(a) Unless otherwise agreed by all the Committee members, a meeting shall be called by at least two workings days’ notice.

*\* For identification purposes only*

- (b) A Committee member may and, on the request of a Committee member, the secretary to the Committee shall, at any time summon a Committee meeting. Notice shall be given to each Committee member in person orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email 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.
- (c) Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- (d) Notice of meeting 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.

3.2 The quorum of the Committee meeting shall be two members of the Committee.

3.3 The Finance Director, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the external auditors without executive directors present.

3.4 Meetings shall be held at least twice annually or more frequently if circumstances require to considering the budget, revised budget and, if published for publication, quarterly report prepared by the Board. The external auditors may request the Chairman of the Committee to convene a meeting, if they consider that one is necessary.

#### **4. Resolutions**

4.1 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the members present.

## 5. Written resolutions

5.1 Written resolutions may be passed by all Committee members in writing.

## 6. Alternate Committee members

6.1 A Committee member may not appoint any alternate.

## 7. Authority of the Committee

7.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (together, the “**Group**”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to monitor whether the Group’s management has, in the performance of their duties, breached any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time determined by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request the management to make investigation and submit reports;
- (d) to review the Group’s risk management and internal control procedures and systems;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group’s risk management and internal control procedures and systems;
- (g) to request the Board to convene a shareholder’s meeting (if necessary) for purposes of removing any director and dismissing any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly;

- (h) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group;
- (i) to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if the Committee considers this necessary; and
- (j) to exercise such powers as the Committee may consider necessary and expedient so that their duties under Section 8 below can be properly discharged.

7.2 The Committee should be provided with sufficient resources to discharge its duties.

## **8. Duties of the Committee**

8.1 The duties of the Committee shall be:

- (a) to consider, and to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fee and other terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;
- (b) to review and monitor the external auditor's independence and objectively and the effectiveness of the audit process in accordance with applicable standard;
- (c) to discuss with the external auditors before the audit commences, the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved;
- (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 needed and making recommendations as to the steps to be taken;

- (e) 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;
- (f) 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 practice;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting standards;
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
  - (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group;
  - (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;
  - (ix) any significant or unusual items that are, or may need to be, reflected in such reports and accounts; and
  - (x) the cashflow position of the Group.

and to provide advice and comments thereon to the Board;

- (g) in regard to (f) above:
  - (i) members of the Committee must liaise with the Board and senior management. 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 such reports and accounts and must give due consideration to any matters that have been raised by the Company's accountant, compliance officer or auditors.
- (h) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (i) to discuss with the management the risk management and internal control systems and ensure the management has discharged its duty to have an effective risk management and internal control systems and to review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (j) to consider any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- (k) (where an internal audit function exists) to review the internal audit programme, 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 and to review and monitor, the effectiveness of the internal audit function;
- (l) to conduct exit interviews with any director, manager, financial controller or internal audit control manager upon their resignation in order to ascertain the reasons for his departure;
- (m) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;

- (n) to consider the appointment of any person to be a Committee member, a company secretary, auditors and accounting staff (including internal control department) either to fill a casual vacancy or as an additional Committee member, company secretary, auditors and accounting staff or dismissal of any of them;
- (o) 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;
- (p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (q) to report to the Board on the matters set out in the code provisions contained in the Corporate Governance Code set out in (and as amended from time to time) Appendix 14 to the Listing Rules; and
- (r) to consider other matters, as defined or assigned by the Board from time to time.

## **9. Veto rights of the Committee**

9.1 The Committee has the following veto rights. The Group cannot implement any of the following matters which has been vetoed by the Committee:

- (a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive directors and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or internal audit manager.

## **10. Minutes and records**

- 10.1 Full minutes of the meetings of the Committee and all written resolutions of the Committee should be kept by the secretary of the Committee.
- 10.2 The secretary of the Committee shall circulate the draft and final versions of minutes of the meeting of the Committee or, as the case may be, written resolutions of the Committee to all members of the Committee for their comment and records respectively within a reasonable time after the meeting or before the passing of the written resolutions.
- 10.3 The secretary of the Committee shall keep record of all meetings of the Committee held during each financial year of the Company and records of individual attendance of members of the Committee, on a named basis, at meetings held during that financial year.

## **11. Continuing application of the articles of association of the Company**

- 11.1 The articles of association of the Company regulating the meetings and proceedings of the directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

## **12. Powers of the Board**

- 12.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Corporate Governance Code set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution 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 resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.