

珠江石油天然氣鋼管控股有限公司  
**CHU KONG PETROLEUM AND NATURAL GAS**  
**STEEL PIPE HOLDINGS LIMITED**  
(Incorporated in the Cayman Islands with limited liability)  
(the “Company”)

**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

**1. Membership**

- 1.1. Members of the Audit Committee shall be appointed by the board of directors (the “Board”).
- 1.2. The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3. The majority of the members of the Audit Committee must be independent non-executive directors (“INEDs”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise.
- 1.4. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of 1 year commencing on 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 the latter.

**2. Chairman**

- 2.1. The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

**3. Quorum**

- 3.1. The quorum for meetings of the Audit Committee shall be any two members.

**4. Frequency of meetings**

- 4.1. The Audit Committee shall hold at least two regular meetings in a year. Additional meetings of the Audit Committee shall be held as and when required.
- 4.2. The Audit Committee shall meet the external auditors twice a year.
- 4.3. Unless otherwise specified, the provisions contained in the Company’s Articles of Association for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

## **5. Annual general meeting**

- 5.1. The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to answer questions at the Annual General meeting.

## **6. Duties, powers and functions**

The duties of the Audit Committee are as follows:-

### **6.1. Relationships 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 to consider 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 audit 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 the engagement of an external auditor to supply non-audit services.

### **6.2. Review of financial information**

- (a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, and half-year report, and to review significant financial reporting judgments contained in them. In reviewing the Company's annual report and accounts, and half-year report, the Audit Committee shall 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;

- (b) Regarding 6.2(a) above:-

members of the Audit Committee should liaise with the board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the external auditor, and the Audit Committee shall 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 or auditors;

### 6.3. Oversight of the Company's financial reporting system, risk management and internal control systems

- (a) to review the Company's financial controls, and unless expressly addressed by a separate risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) to review the group's financial and accounting policies and practices;
- (f) 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters in this code provision; and
- (i) to consider other topics, as defined by the board.

## **7. Reporting procedures**

7.1. The Audit Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the AC Chairman shall report the findings and recommendations of the Audit Committee to the Board.

## **8. Others**

8.1. The Audit Committee shall be provided with sufficient resources to discharge its duties.

8.2. All members of the Audit Committee shall have access to the advice and services of the secretary of the Audit Committee with a view to ensuring that procedures of the Audit Committee and all applicable rules and regulations are followed.

8.3. In the event that the Audit Committee or any member of the Audit Committee requires access to outside independent professional advice in connection with its/his duties at the Company's expense. All such requests shall be processed in accordance with the Company's procedures for seeking independent professional advice.

8.4. Every member of the Audit Committee shall ensure that he can give sufficient time and attention to his duties as a member of the Audit Committee. He shall give the Company the benefit of his skills and expertise through regular attendance and active participation.

## **9. Authority**

9.1. The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any reasonable request made by the Audit Committee.