

# **CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED**

(Incorporated in the Cayman Islands with limited liability)

## **AUDIT COMMITTEE - TERMS OF REFERENCE**

Established on 8 May 2010 pursuant to a resolution passed by the board (the “Board”) of directors (the “Directors”) of China Titans Energy Technology Group Co., Limited (the “Company”) according to the Corporate Governance Code with the latest version approved by the Board effective on 16 December, 2015.

### **Objective**

The audit committee (the “Committee”) shall be responsible to the Board for ensuring the quality and integrity of internal control and the management of risks, financial statements, appointment and performance of internal and independent external auditors, and the existence and operation of an effective system of internal control and risk management, in respect of the Company.

### **Membership and Reporting Procedures**

1. The members of the Committee (the “Members”) shall be appointed by the Board and shall comprise of non-executive Directors only and have at least three members, with a majority being the independent non-executive directors (the “INEDs”). At least one member of the Committee shall have appropriate professional qualifications or accounting or related financial management expertise. The chairman of the Board shall not be a Member.
2. The Board shall appoint a chairman of the Committee (the “Committee Chairman”) who shall be an INED. In the absence of the Committee Chairman and/or an appointed deputy, the remaining Members present shall elect one of their Members to chair the meeting.
3. The external auditors will be invited to attend meetings of the Committee on a regular basis.
4. The Committee shall report to the Board its decisions and progress on a regular basis. The reporting interval shall be determined by the Committee and approved by the Board.
5. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its scope of power where action or improvement is needed.

### **Secretary**

1. The Company Secretary shall act as the secretary of the Committee.
2. The Committee may from time to time appoint any other person with appropriate

qualification and experience as the secretary of the Committee.

## **Duties, Power and Functions**

The Committee shall have the following duties, power and functions: -

1. 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;
  - (d) to act as the key representative body for overseeing the Company's relations with the external auditor.
2. Review of the Company's financial information
  - (a) 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 Rules governing the Listing of Securities on the Stock

Exchange of Hong Kong Limited (the “Listing Rules”) and legal requirements in relation to financial reporting;

- (b) in relation to clause (a) above, the Members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company’s auditors;
  - (c) in relation to clause (a) above, 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.
3. Overseeing of the Company’s financial reporting system, risk management system and internal control system
- (a) to review the Company’s financial controls, and unless expressly addressed by a separate board risk management committee, or by the board itself, to review the Company’s risk management system and internal control system;
  - (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 about 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 the code provisions of the Corporate Governance Code; and
  - (i) to consider other topics, as defined by the Board.

#### 4. Employees' Concerns

The terms of reference of the Committee shall also require that the Committee shall also be responsible for reviewing the Company's arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters. The Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow up action.

#### **Meetings**

1. Meetings of the Committee shall be held not less than twice a year. The external auditors may request a meeting if they consider that as necessary.
2. A quorum of the meeting shall be two Members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
3. Members may participate in a meeting by means of telephone conference or similar communications equipment, by means of which all persons participating in the meeting are capable of hearing each other.
4. Resolutions of the Committee at any meeting shall be passed by a majority of votes of members if more than two Members are present and by a unanimous vote if only two Members are present.
5. A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

#### **Notice of Meetings**

1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its Members or at the request of external auditors if they consider it necessary.
2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Member of the Committee and any other person required to attend at least 14 days (or otherwise as required) before the date of the meeting. Supporting papers shall be sent to the Members and to other attendees as appropriate, at least 5 clear days in advance of the meeting.

#### **Minutes of Meetings**

1. The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
2. The secretary shall ascertain, at the beginning of each meeting, the existence of any

conflicts of interest and minute them accordingly.

3. Full minutes should be kept by the secretary. Draft and final versions of minutes of the Committee shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable time (generally within 14 days) after the meeting. Such minutes shall be open for Directors' inspection.

### **Annual General Meeting**

The chairman of the Committee should, as far as practicable, attend the annual general meeting of the Company and make himself available to respond to any questions from the shareholders of the Company on the Committee's activities.

### **Other Matters**

The Committee shall:

1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
2. be provided with appropriate and timely training, both in the form of an induction programme for new Members and on an ongoing basis for all Members;
3. give due consideration to applicable laws and regulations, including relevant corporate governance codes and the rules of The Stock Exchange of Hong Kong Limited as appropriate;
4. oversee any investigation of activities which are within its scope of power and act as a court of the last resort; and
5. make available the Committee's terms of reference, explaining its role and the authority delegated to it by the Board.

### **Authority**

The Committee is authorized by the Board:

1. to investigate any activity within its terms of reference;
2. to seek any information it requires from any employee of the Company and its subsidiaries in order to perform its duties and all employees will be directed to cooperate with any request made by the Committee; and
3. to obtain, at the Company's expense, external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### **Publication of the Terms of Reference**

The terms of reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited.