



## NEW TIMES ENERGY CORPORATION LIMITED

## 新時代能源有限公司\*

(Incorporated in Bermuda with limited liability)  
(Stock Code: 00166)

### Audit Committee - Terms of Reference

#### 1. Membership

- 1.1 The members of the Audit Committee (the “**Committee**”) shall be appointed by the Board of Directors (the “**Board**”) of New Times Energy Corporation Limited (the “**Company**”) from amongst the non-executive directors of the Company. The Committee shall have a minimum of three members and at least one of whom is an independent non-executive director with 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 (the “**Listing Rules**”). The majority of committee members should be independent non-executive Directors.
- 1.2 The Board shall appoint the chairman of the Committee (the “**Chairman**”) and must be an independent non-executive director. Chairman has the responsibility of liaising with the Board and shall chair the meetings of the Committee.
- 1.3 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 two years from the date of the person ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.

#### 2. Quorum and voting at meeting

- 2.1 A quorum shall be two members. If only two members are in attendance, both members shall be independent non-executive Directors. If more than two members are in attendance, a majority of the members shall be independent non-executive Directors.
- 2.2 Questions arising at any meetings shall be decided by a simple majority of votes.

#### 3. Attendance at meetings

- 3.1 The chairman of the Board, Financial Controller, representative of external auditors and Committee’s members shall normally attend the meeting. Other members of the Board and senior management if deemed appropriate and invited by the Committee shall have the right of attendance. Attendance of meeting may either attend in person or through other electronic means of communication.

\*For identification purpose only

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- 3.2 The company secretary shall be the secretary of the Committee (the “**Secretary**”). Where the company secretary is also an executive Board member, the company secretary can only attend meetings of the Committee in the capacity as a company secretary, and not as an executive Board member.

### **4. Frequency of meetings**

- 4.1 Meeting shall be held not less than twice each financial year. Any member of the Committee may convene a meeting of the Committee and invite any representative of the external auditors to attend the same in the absence of any executive Director or any member of the management of the Company. The external auditors may request a meeting if they consider that one is necessary.

### **5. Notice of meetings**

- 5.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, shall be sent to each member of the Committee, and to any other person required to attend in relation to all regular meetings of the Committee, at least 7 days before the date of the meeting.
- 5.2 An agenda of items to be discussed, together with supporting papers shall be sent to Committee members and to other attendees as appropriate within a reasonable time prior to the date of the meeting.
- 5.3 Any member of the Committee shall be entitled, by notice to the Secretary, to include other matters relevant to the functions of the Committee in the agenda of a meeting of the Committee.

### **6. Minutes and records**

- 6.1 The Secretary in attendance at the meeting of the Committee shall prepare full minutes in sufficient detail in respect of the proceedings and resolutions of all such meetings, including the names of those present and in attendance. The minutes should also include any concerns raised by any member of the Committee and/or dissenting views expressed. Draft and final versions of the minutes should be sent to all committee members for their comment and records within a reasonable time after the meeting.
- 6.2 Written Resolutions may be passed by all Committee members in writing.
- 6.3 Full minutes of the meetings of the Committee and all written resolutions of the Committee should be kept by the secretary of the Committee.

### **7. Authority**

The Committee may exercise the following powers:

- 7.1 to investigate any activity within its terms of reference;
- 7.2 to seek any information it requires from any employee of the Company and all such employees are directed to co-operate with any request made by the Committee;

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- 7.3 subject to the Company's procedure for seeking external advice, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- 7.4 to investigate any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board;
- 7.5 to review the financial controls and risk management and internal control systems;
- 7.6 to make recommendations to the Board for the improvement of the risk management and internal control systems; and
- 7.7 to request the Board to provide with sufficient resources to perform its duties.

### 8. Duties

The duties of the Committee shall be:

- 8.1 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;
- 8.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 8.3 to develop and implement policy on engaging of an external auditor to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 8.4 to monitor the integrity of the Company's financial statements 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 therein. 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 Listing Rules and legal requirements in relation to the financial reporting;

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- 8.5 regarding to 8.4 above, the Committee members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the external auditor, and the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's qualified accountant, external auditor or internal control officer;
- 8.6 to review the Company's financial controls and risk management and internal control systems;
- 8.7 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience training programmes and budget of the Company's accounting and financial reporting function;
- 8.8 to consider of 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;
- 8.9 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;
- 8.10 to review the financial and accounting policies and practices of the group, comprising the Company and its subsidiaries;
- 8.11 to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;
- 8.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.13 to report to the Board on the matters under this section 8 and matters required to be performed by the Committee under Appendix 14 of the Listing Rules and revisions thereto implemented from time to time;
- 8.14 to consider other topics, as defined by the Board;
- 8.15 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 8.16 to act as the key representative body for overseeing the Company's relations with the external auditor.

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### **9. Reporting responsibilities**

- 9.1 After each meeting, the Chairman shall report formally to the Board on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.
- 9.3 Where the Board disagrees with the Committee's views on the selection, appointment and resignation or dismissal of the external auditor, the Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendations. The Board shall include in the same report the reason(s) why the Board takes a different view.
- 9.4 The Committee shall, with the assistance of the Secretary, compile a report to the Shareholders on its role and activities which will be included in the Company's Corporate Governance Report.

### **10. Others**

- 10.1 The Committee shall have access to sufficient resources in order to perform its duties. In the event that the Committee determines that it has insufficient resources, it may make a request for additional resources to the Board through the Secretary.
- 10.2 All members of the Committee shall have access to the advice and services of the Secretary with a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed.
- 10.3 Any member of the Committee may require access to outside legal or other independent professional advice in connection with his/her duties at the Company's expense. All such requests shall be processed in accordance with the Company's procedures for seeking independent professional advice by Directors.
- 10.4 Every member of the Committee shall give sufficient time and attention to his/her duties as a member of the Committee. He/she shall give the Company the benefit of his skills and expertise through regular attendance and active participation.
- 10.5 The English text of this terms of reference will prevail over the Chinese text in case of any inconsistency.

*Effective on 26 March 2019*