

ANTON OILFIELD SERVICES GROUP
(incorporated in the Cayman Islands with limited liability)
(the “Company” which together with its subsidiaries, the “Group”)

**Terms of Reference for
Audit Committee
(the “Committee”)**

1. Constitution

- 1.1 The Committee is established pursuant to a resolution passed by the board of directors (the “Board”) of the Company at its meeting held on 17 November 2007.

2. Membership

- 2.1 The Committee members consist of non-executive directors only. The majority of the Committee members must be independent non-executive directors of the Company.
- 2.2 The Committee must comprise a minimum of 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 under rule 3.10(2) of the Listing Rules.
- 2.3 The Committee must be chaired by an independent non-executive director.
- 2.4 The Company shall immediately inform the Stock Exchange and publish an announcement in accordance with rule 2.07C of the Listing Rules containing the relevant details and reasons if the Company fails to set up an audit committee or at any time has failed to meet any of the above 2.1 to 2.3 (i.e. the requirements set out in rule 3.21 of the Listing Rules). The Company shall set up an audit committee and/or appoint appropriate members to the audit committee to meet the requirement(s) within three months after failing to meet such requirement(s).
- 2.5 The members of the Committee shall be appointed and removed by resolutions passed by the Board from time to time.
- 2.6 The Committee should be established with specific written terms of reference which deal clearly with its authority and duties.
- 2.7 The Committee may from time to time appoint Board Secretary or any other person as the secretary of the Committee.
- 2.8 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 1 year from the date of his ceasing (i) to be a partner of the firm; or (ii) to have any financial interest in the firm, whichever is later.

3. Frequency and proceedings of meeting

- 3.1 Regular meetings of the Committee shall be held at least twice every year. Additional meetings shall be held as and when necessary.
- 3.2 The Company’s staff having accounting and financial reporting functions, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) and representative(s) of the external auditors shall normally attend

meetings of Committee. Other Board members shall also have the right of attendance.

- 3.3 All meetings of the Committee may be held by telephone or other electronic means.
- 3.4 Unless otherwise agreed by all the Committee members, a meeting shall be called in at least fourteen days' notice. Notice shall be given to each Committee member in person orally or in writing. Notice of meeting shall state the purpose, time and venue of the meeting.
- 3.5 An agenda together with the documents which may be required to be considered by the Committee members for the purposes of the meeting shall be sent in full to all Committee members in a timely manner and in any event not less than 3 days before the intended date of the meeting of the Committee (or such other period as all the Committee members may agree).
- 3.6 The quorum of a meeting shall be two Committee members and a majority of which shall be the independent non-executive directors.
- 3.7 A member of the Committee must abstain from voting on any resolution of the Committee in which he or any of his associates (as defined in the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) has a material interest and shall not be counted towards the quorum of such a meeting at which the relevant resolution is considered by the Committee, unless the exceptions set out in the articles of association of the Company or note 1 to Appendix 3 of the Listing Rules apply.
- 3.8 Resolutions of the Committee shall be passed by a majority of votes of members of the Committee who are entitled to attend and vote at the meeting. Where the number of votes for and against a resolution is the same, the chairman of the Committee shall be entitled to cast an extra vote.
- 3.9 A resolution signed by all the Committee members shall be as valid and effectual as a resolution passed at a meeting of the Committee duly convened and held and may consist of several documents in like form each signed by one or more members.
- 3.10 A Committee member may not appoint any alternate.

4. Principle

- 4.1 The Committee is established for fulfilling the responsibilities by providing an independent review and supervision of financial reporting and internal control. It also is responsible for maintaining an appropriate relationship with the Company's auditors.
- 4.2 The Committee shall 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 audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 4.3 The Committee shall act as the key representative body for overseeing the Company's relations with the external auditors.

5. Authority

- 5.1 The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

- 5.2 The Committee shall report to the Board 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.
- 5.3 The Committee is to be provided with sufficient resources to perform its duties.
- 5.4 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

6. Duties, responsibilities and functions

- 6.1 The Committee shall:-

Relationship with the issuer's auditors

- (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) 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) 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) monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
 - (i) liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

- (ii) consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and 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) review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the issuer's risk management and internal control systems;
 - (g) 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) 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) 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 issuer, and review and monitor its effectiveness;
 - (j) review the Group's financial and accounting policies and practices;
 - (k) 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) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - (m) report to the Board on the matters in the code provisions in Code on Corporate Governance Practices, Appendix 14 to the Listing Rules; and
 - (n) consider other topics, as defined by the Board.
- 6.2 The Committee establishes a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.
- 6.3 The chairman of the Committee or in his absence, another member of the Committee, shall attend the annual general meeting of the Company to answer questions at the annual general meeting on the Committee's activities and their responsibilities.

7. Records

- 7.1 Draft and final versions of the minutes of the Committee meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- 7.2 Full minutes of the Committee meetings and written resolutions shall be kept by a duly appointed secretary of the meetings.

8. Reporting procedures

- 8.1 The Committee should report to the Board on a regular basis. At the next Board meeting

following a Committee's meeting, the chairman of the Committee shall report the Committee's findings and any matters that may significantly impact on the financial condition or affairs of the business and make appropriate recommendations.

9. Publication of the terms of reference

- 9.1 The terms of reference of the Committee shall be posted on the websites of the Company and the Stock Exchange, and shall be made available on request.

23 December 2015