

XINTE ENERGY CO., LTD.

Audit Committee of the Board Terms of Reference

June 2015

CONTENTS

CHAPTER 1 GENERAL PROVISIONS.....	3
CHAPTER 2 COMPOSITION OF THE COMMITTEE.....	3
CHAPTER 3 DUTIES OF THE COMMITTEE	4
CHAPTER 4 MEETINGS OF THE COMMITTEE	7
CHAPTER 5 PROCEEDINGS OF MEETINGS.....	8
CHAPTER 6 SUPPLEMENTARY PROVISIONS	10

Chapter 1 General Provisions

Article 1 In order to strengthen the internal supervision and risk control of XINTE ENERGY CO., LTD. (the “Company”), regulate the auditing work, ensure the effective supervision of the financial balance and various operating activities and improve the corporate governance structure of the Company, the Company hereby established the audit committee (the “Audit Committee” or the “Committee”) of the board of directors (the “Board”) and formulated the terms of reference (“Terms of Reference”) in accordance with the Company Law of the People’s Republic of China, the Standards on Corporate Governance of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the articles of association of XINTE ENERGY CO., LTD. (the “Articles of Association”) and other relevant regulations.

Article 2 The Audit Committee is a special committee established under the Board and is responsible for providing advice or suggestions for decision-making by the Board and the chairman of the Board in relation to issues within the scope of authorization delegated by the Board, and shall be accountable and report to the Board.

Article 3 The audit department of the Company, as an offices for the routine work of the Committee, shall be responsible for the preliminary preparatory and serving work for the decision-making of the Audit Committee, including collecting and providing related information, preparing research report for relevant subject, preliminary examination of relevant subject and draft resolution of meetings of the Audit Committee.

Chapter 2 Composition of the Committee

Article 4 The Committee shall comprise five non-executive directors, a majority of whom shall be independent non-executive directors. The Committee shall have at least one independent non-executive director with relevant professional qualifications or with expertise in accounting or financial management, so as to comply with the Listing Rules in relation to the qualification requirements of the financial professionals in the Audit Committee.

A former partner of the existing external auditing firm of the Company shall not act as a member of the Committee within one year from the following date (whichever the latter):

- (1) the date of his/her ceasing to be a partner of the auditing firm; or
- (2) the date that he/she no longer has any financial interest in the auditing firm.

Article 5 Members of the Committee shall be nominated by the chairman of the Board, half or more of the independent non-executive directors or one-third or more of all the directors, and elected by more than half of the directors. Upon the approval of the resolution for the election of members, the appointment of the newly-elected member shall become effective immediately after such resolution of the Board takes effect.

Article 6 The Committee shall have a chairman responsible for hosting the work of the Committee, and the chairman position shall be held by an independent non-executive director with the consideration and approval of the Board. When the chairman of the Committee is unable to or cannot discharge his/her duties, another member can be designated to act as the chairman.

Article 7 The term of office of the members of the Committee shall be the same as that of the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If any member ceases to be a director of the Company during his/her term of office, he/she shall *ipso facto* cease to be a member of the Committee.

Article 8 A member of the Committee may resign before the expiry of his/her term of office. The written resignation report shall include a statement of the reasons for such resignation and if necessary, the matters that shall be brought to the attention of the Board. In the event that the number of members of the Committee falls below the quorum provided in the Terms of Reference, the member who tendered the resignation shall continue to perform the related duties before the newly elected member of the Board takes office.

Article 9 The terms of office of members of the Committee may be adjusted during their terms of office according to the recommendation of the chairman of the Board and upon the consideration and approval of the Board.

Article 10 In the event that the number of members of the Committee falls below the quorum provided in the Terms of Reference, the vacancy shall be filled up in accordance with the Terms of Reference.

Chapter 3 Duties of the Committee

Article 11 The main duties of the Committee are as follows:

- (1) To provide suggestions to the Board concerning the appointment, reappointment and change of external auditors, handle issues relating to the resignation or dismissal of such external auditors and make suggestions for the appointment contracts and audit fees of relevant external auditors; to evaluate the work of external auditors, and supervise the independence and objectivity of external auditors, and the effectiveness, quality and results of work procedures of external auditors.

The Committee shall discuss with the external auditor regarding the nature and scope of the audit and the relevant reporting obligations before the commencement of auditing work.

The Committee shall develop and implement policies on the engagement of an external auditor for non-auditing services. For this purpose, any entity that is under common control, ownership or management with the audit firm, or any entity that is reasonably deemed as part of the domestic or international businesses of the audit firm by a reasonable and informed third party having knowledge of all relevant information shall be regarded as an external auditor. The Committee shall report to the Board on any matters in respect of which it considers that action or improvement is needed and make recommendations as to the measures to be taken.

- (2) To supervise the internal audit system and its implementation.
- (3) To guide and evaluate the work of the internal auditing department, and to make suggestions as to the appointment and removal of the head of internal auditing department.
- (4) To review the financial information of the Company and its disclosure:

The Committee shall monitor the legitimacy and integrity of the financial statements, annual reports and accounts, interim reports and quarterly reports (if any), and review significant judgments relating to the financial reporting contained therein. When reviewing the financial statements and reports of the annual reports and accounts, interim reports and quarterly reports (if any) of the Company to be submitted to the Board, the Committee shall focus particularly on the following issues:

1. any changes in the accounting policies and practices;
2. areas which involve significant judgments;
3. significant adjustments according to the results of audit;
4. assumptions on the ongoing operations of the Company and any qualified opinions;
5. compliance with accounting standards;
6. compliance with the listing rules and other legal requirements of the place of listing in relation to financial reporting;

In respect of the above, members of the Committee shall communicate with the Board, the senior management staff and qualified accountants of the Company. The Committee shall meet at least twice a year with the auditors of the Company. The Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and shall give due consideration to any matters that have been raised by the qualified accountants, compliance officers or auditors of the Company.

- (5) To review and supervise the effective implementation of the financial reporting system, internal control system and risk management system of the Company, including:
 1. to review and examine the financial control, internal control and risk management system of the Company;
 2. to discuss the internal control system with the management about the adequacy of resources, qualifications and experience of staff, training courses and budget of the accounting and financial reporting function of the Company so as to ensure the management has performed its duty to establish an effective internal control system;
 3. to review major findings on internal control matters and the responses of management on its own initiative or as delegated by the Board;

4. to ensure co-ordination and communication between the internal and external auditors where an internal audit function exists; to ensure the internal audit function is provided with adequate resources and has appropriate standing in the Company; and to review and monitor its effectiveness;
 5. to review the financial and accounting policies and practices of the Company;
 6. to review the auditing descriptions from the external auditor to the management, any significant queries raised by the auditor to the management regarding the accounting records, financial accounts or supervision systems as well as responses of the management;
 7. to ensure timely responses of the Board to the issues in the auditing descriptions raised by the external auditor;
 8. to report to the Board in respect of the issues set out in this article;
 9. to consider other issues raised by the Board.
- (6) To evaluate and discuss the following arrangements formulated by the Company: whistleblowing system for employees of the Company to report on any potential misconducts regarding the financial reporting, internal control and other aspects of the Company; to ensure that the Company has put in place appropriate arrangements to carry out fair and independent investigation and follow-up actions for such issues; to arrange a key representative between the Company and the external auditor and to supervise their relationship.
- (7) To audit and supervise connected transactions and evaluate their appropriateness.
- (8) Other duties as assigned by the Board.

The Committee shall make public its terms of reference and explain its roles and the powers granted by the Board. The Committee shall be provided with sufficient resources to discharge its duties.

The Committee shall be accountable to the Board and submit its proposals to the Board for consideration and decision. The Committee shall support the related work of the supervisory committee.

Article 12 The duties of the chairman of the Committee are as follows:

- (1) to convene and chair the meetings of the Committee;
- (2) to supervise and examine the operations of the Committee;
- (3) to sign relevant documents of the Committee;
- (4) to report to the Board on the operations of the Committee;
- (5) other duties as requested by the Board.

Article 13 The Committee shall exercise its authority in compliance with the Company Law, the Articles of Association and the Terms of Reference and shall not prejudice the interests of the Company and its shareholders.

Article 14 The Committee may, if necessary, engage intermediary agencies to provide professional advice for its decision-making upon obtaining authorization from the Board, and the reasonable expenses incurred thereby shall be borne by the Company.

Chapter 4 Meetings of the Committee

Article 15 The Committee shall meet at least twice a year, with a written notice dispatched to all members two days prior to the meeting. A meeting shall be chaired by the chairman of the Committee, and if the chairman is unable to perform his/her duties, he/she may designate another member to chair the meeting. In principle, a meeting of the Committee shall be held by way of onsite meeting. With the consent of the chairman of the Committee (who shall not refuse to give consent unreasonably), a meeting may be held by way of electronic communications such as teleconference and videoconference or respective reviews through written materials. In case of emergencies or extraordinary circumstances, the aforesaid time and procedures of notice may be waived upon the approval of the chairman, but the chairman shall explain accordingly at the meeting.

Article 16 A meeting of the Committee may be convened at the request of the chairman of the Committee or half or more of the members of the Committee.

The Company's securities department shall be responsible for the notice of meeting and affairs of the Committee. The notice of meeting, to be dispatched by means of fax, email or delivery in person, shall specify, among others, the time, venue, form, proposer, date, agenda and items of the meeting, the time of issuing the notice, and the contact person and contact details of the meeting.

Article 17 Upon the receipt of the notice of meeting, members of the Committee shall give acknowledgement and reply by providing relevant information (including but not limited to availability for the meeting and schedule) in a timely and appropriate manner.

Article 18 The quorum of the meetings of the Committee shall be more than half of the members.

Members of the Committee shall attend meetings in person (including attending on-site meetings in person or by means of communications). A member who is unable to attend a meeting in person may by a duly signed power of attorney appoint another member of the Committee to attend and exercise relevant powers at the meeting on his/her behalf. The power of attorney shall specify, among others, the names of the principal and the proxy, the scope of authorization, the restriction of authorization and the validity period of authorization, with the signatures or seals of the principal and the proxy.

Article 19 Any member of the Committee failing to attend two consecutive meetings of the Committee in person without justifiable reasons and without appointing another member to attend on his/her behalf shall be deemed as incapable of performing the duties of a member of the Committee, and shall be subject to replacement by the Board in accordance with the Terms of Reference.

Chapter 5 Proceedings of Meetings

Article 20 The audit department of the Company shall be responsible for the preparatory work for the decision-making of the Committee by collecting and providing written information in respect of the auditing issues of the Company:

- (1) the financial reports and other related information of the Company;
- (2) the internal audit work reports of the Company;
- (3) the external audit contracts and other related audit reports;
- (4) the information of the Company disclosed to external parties;
- (5) the audit reports prepared by the internal and external auditing firms in relation to connected transactions;
- (6) other related materials.

Article 21 The meeting of the Audit Committee shall conduct evaluations, sign the opinions on the report provided by the audit department of the Company, and submit the related written resolution to the Board for discussion, and the report provided by the audit department shall include the following contents:

- (1) the work evaluation of the external auditor, the recruitment and replacement suggestion of the external auditor;
- (2) information on whether the internal audit system of the Company has been effectively implemented, and whether the financial reports of the Company are completely true;

- (3) information on whether the financial reports disclosed by the Company are objective and true, and whether the connected transactions of the Company comply with relevant laws and regulations;
- (4) annual internal auditing report shall include the work appraisal on audit department and its person-in-charge;
- (5) information on other related matters.

Article 22 In principle, a meeting of the Committee shall be held in the form of on-site meeting, where voting shall be made by a show of hands or by poll. Upon approval of the chairman of the Committee, a meeting may be held by way of communications or through written proposals to be considered separately, while members of the Committee shall submit documents of the meeting of the Committee such as completed votes and signed examination opinions to the office of the Board within the time specified in the notice of meeting.

Article 23 When reviewing and discussing the proposed matters at the meeting of the Committee, members shall clearly, independently and fully express their views based on their own judgment. The main opinions of each member shall be specified in the minutes of the meeting.

Article 24 The chairman of the Committee shall, on the basis of adequate review and discussion, form an examination opinion on the matters discussed at the meeting of the Committee by summarizing the discussions and opinions of the members at the meeting, and shall make arrangements for members to vote on the matters discussed and the examination opinion by a show of hands or by poll. Each member of the Committee shall have one vote. The examination opinion on the matters discussed at the meeting formed by the meeting of the Committee shall be passed by more than half of all members. When the numbers of votes against and for a resolution are equal, the chairman of the Committee shall have the rights of one more vote.

Members who cast dissenting votes are entitled to demand their objection to be stated in the examination opinion of the Committee.

In the event of insufficient information or data as required by the proposed matters, resulting in half or more of the members are of the view that no discussion or judgment can be made, the chairman of the Committee shall have the right to require the provision of additional information or data before further consideration.

Save as described above, the Committee shall express its examination opinions on the matters considered with explicit agreement or disagreement.

Article 25 The secretary to the Board shall be in-attendance at meetings of the Committee, and other directors, relevant senior management staff of the Company, personnel of relevant functional departments of the Company as well as relevant experts, scholars and representatives from intermediary agencies may be invited to be in-attendance at meetings when necessary. Person in-attendance at meetings shall give explanations on relevant matters at the request of members of the Committee.

Article 26 Where a member of the Committee is interested in the matter being discussed at a meeting of the Committee, he/she shall abstain from such meeting.

Article 27 Minutes shall be kept for the meetings of the Committee, bearing signatures of the members present at the meetings. The minutes of the meeting shall be kept at office of the Board of the Company. The draft and final versions of the minutes of the Committee shall be delivered to all members of the Committee within a reasonable period of time after the meeting for members' comment and inspection purposes respectively.

Article 28 Proposals and voting results adopted at meetings of the Committee shall be reported to the Board in writing. In case that it is difficult to reach an agreement on a proposal, the different opinions shall be submitted to the Board with explanations.

Article 29 Members attending meetings shall undertake confidentiality obligations for all items discussed at the meetings, and relevant information shall not be disclosed without permission.

Chapter 6 Supplementary Provisions

Article 30 Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

Article 31 The senior management staff mentioned in the Terms of Reference refer to the general manager, vice-general manager, officer-in-charge of financial affairs, secretary to the Board and other senior management staff as determined by the Articles of Association.

Article 32 The terms "or more" and "at least" mentioned in the Terms of Reference shall include the underlying number, while the term "more than half" shall not include the underlying number.

Article 33 Upon the consideration and approval of the Board, the Terms of Reference shall become effective on the date of initial issue and listing of shares in Hong Kong by the Company.

Article 34 Any matters not covered by the Terms of Reference shall be subject to relevant laws, regulations, rules of securities regulatory authorities and stock exchanges of China and the Articles of Association. In case of any discrepancy between the Terms of Reference and the laws and regulations to be promulgated by the government of China in the future, the rules of securities regulatory authorities and stock exchanges, or the Articles of Association as amended according to lawful procedures, the relevant laws and regulations, rules of securities regulatory authorities and stock exchanges of China and the Articles of Association shall prevail, and the Terms of Reference shall be amended immediately for consideration and approval of the Board.

Article 35 The Terms of Reference are written in Chinese. In case of any discrepancy between the Chinese text and English text of the Terms of Reference, the Chinese text shall prevail.

Article 36 The Terms of Reference shall be construed and interpreted by the Board of the Company.

XINTE ENERGY CO., LTD.

2 June 2015