

AUDIT COMMITTEE TERMS OF REFERENCE

1. CONSTITUTION

1.1 The Audit Committee (the “**Committee**”) of Neptune Group Limited (the “**Company**”) is a committee of the board of directors of the company (the “**Board**”).

2. MEMBERSHIP

2.1 The Audit Committee members shall be appointed by the Board from amongst the non-executive directors of the company, 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. The majority of the Audit Committee members must be independent non-executive directors of the Company.

2.2 The Audit Committee shall consist of at least 3 members.

2.3 The Chairman of the Audit Committee shall be appointed by the Board. The Audit Committee must be chaired by an independent non-executive director.

2.4 The company secretary of the Company shall act as the secretary of the committee. The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

3. FREQUENCY AND PROCEEDINGS OF MEETINGS

3.1 Meetings shall be held not less than twice a year. Additional meetings shall be held as the work of the Audit Committee demands. The Audit Committee may meet to discuss the current year’s audit plan and prior to the finalization of the interim and annual accounts. The external auditor may request a meeting if they consider that one is necessary.

3.2 The quorum of a meeting shall be two committee members.

3.3 The meetings and proceedings of the Audit Committee are governed by the provisions contained in the articles of association of the Company for regulating meetings and proceedings of Directors.

4. AUTHORITY

- 4.1 The Audit Committee is authorized by the Board to inspect all accounts, books and records of the Company.
- 4.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.
- 4.3 A Director as a Member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member of the Audit Committee to the Company.

Note: Arrangement to seek independent professional advice could be made through Company Secretary

- 4.4 The Audit Committee shall be provided with sufficient resources to discharges its duties.

5. DUTIES, ROLES AND FUNCTIONS

Relationship with the Company's external 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;

Review of the Company's financial information

- (d) 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 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 to (d) above:–
- (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company’s external auditors; and
 - (ii) 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;

Oversight of the Company’s financial reporting system and internal control procedures

- (f) to review the Company’s financial controls, internal control risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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) to consider major investigation findings on 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, 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;
- (j) to review financial and accounting policies and practices of the Company and its subsidiaries;
- (k) 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;

- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

Others

- (m) to report to the Board on the matters in the code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules (as amended from time to time);
- (n) to consider other topics, as defined by the Board;
- (o) 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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

6 REPORTING PROCEDURE

- 6.1 The Audit Committee shall report to the Board after each meeting.