

ANHUI TIANDA OIL PIPE COMPANY LIMITED
(the “Company”)

Terms of Reference of the Audit Committee

1. Constitution

The board of directors (“**Directors**”) of the Company (the “**Board**”) resolved to establish an audit committee (the “**Audit Committee**”) on 24 July 2006.

2. Membership

2.1 The Audit Committee shall comprise non-executive Directors only. Members of the Audit Committee shall be appointed by the Board and shall consist of not less than three members and at least one of whom is an independent non-executive Director with appropriate qualifications of accounting or related financial management expertise as required under Rule 3.21 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The majority of the Audit Committee members shall be independent non-executive Directors.

2.2 Subject to paragraph 2.1, the Board shall have the right to appoint and remove members of the Audit Committee. The Board shall also have the right to appoint additional members to the Audit Committee.

2.3 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of at least one (1) year commencing on the date of his or her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

2.4 An appointment of an Audit Committee member shall be automatically revoked if such member ceases to be a member of the Board.

3. Chairman

- 3.1 The Board shall appoint a chairman (the “**Chairman**”) for the Audit Committee who shall be an independent non-executive Director.
- 3.2 In the absence of the Chairman at any meeting of the Audit Committee, the remaining members of the Audit Committee present at any meeting convened in accordance with these terms of reference shall elect among the remaining members of the Audit Committee to act as the Chairman.

4. Secretary

- 4.1 The company secretary of the Company or his/her nominee shall act as the secretary of the Audit Committee.
- 4.2 In the absence of the secretary of the Audit Committee, the members of the Audit Committee present at the meeting shall elect among themselves or appoint another person to act as the secretary for that meeting.

5. Notice

- 5.1 Unless otherwise agreed in writing by all members of the Audit Committee, a meeting of the Audit Committee shall be called by at least seven days’ notice.
- 5.2 A member of the Audit Committee may and, on the request of a member of the Audit Committee, the secretary to the Audit Committee shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or by telex or telegram or facsimile transmission or electronic mail at the telephone or facsimile or address or electronic email address from time to time notified to the secretary by such member of the Audit Committee by in such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- 5.3 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting.

6. Quorum and Attendees

- 6.1 The quorum necessary for the transaction of business shall be two members of the Audit Committee.
- 6.2 If only two members are present in any meeting of the Audit Committee, at least one member must be an independent non-executive Director.
- 6.3 The head of finance of the Company (or any officer(s) assuming the relevant functions but having a different designation), the head of internal audit of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company may normally be invited to attend meetings of the Audit Committee, however they shall not be counted in the quorum.
- 6.4 Other Directors who are not members of the Audit Committee shall have the right to attend any meetings of the Audit Committee, however they shall not be counted in the quorum.
- 6.5 A duly convened meeting of the Audit 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 Audit Committee.

7. Frequency of Meetings

Meetings shall be held at least once every six months to consider the Company's budget, revised budget and interim and annual reports prepared by the management of the Company. The external auditors may request the Chairman to convene meetings, if they consider necessary.

8. Minutes of Meetings

- 8.1 Minutes of the Audit Committee should record in sufficient detail regarding the matters considered by the Audit Committee and decisions reached, including any concerns raised by any member of the Audit Committee or dissenting views expressed. The secretary of a meeting of the Audit Committee shall prepare the initial draft minutes of that meeting. Drafts and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after the meeting is held.

8.2 Minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be made available for inspection by any member of the Audit Committee and any Director at any reasonable time and on reasonable notice.

8.3 The secretary of the Audit Committee shall keep record of all meetings of the Audit Committee held during each financial year of the Company and records of individual attendance of members of the Audit Committee, on a named basis, at meetings held during that financial year.

9. Written Resolutions

Resolutions may be passed by all members of the Audit Committee in writing.

10. Meeting with External Auditors

The Audit Committee shall meet with the external auditors of the Company in the absence of the executive Directors and other management of the Company at least twice a year.

11. Duties

The duties of the Audit Committee shall include the following:

Relationship with external auditors

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, "external auditors" include 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

(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 Audit 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 other legal requirements in relation to financial reporting;
- (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Company and its subsidiaries (collectively, the "**Group**") and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
- (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions; and
- (ix) the cashflow position of the Group;

and to provide advice and comments thereon to the Board;

- (e) Regarding (d) above:
 - (i) members of the Audit Committee should liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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;
- (f) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

Oversight of the Company's financial reporting system and risk management and internal control systems

- (g) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (h) 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;
- (i) 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;
- (j) 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;
- (k) to review the Group's financial and accounting policies and practices;

- (l) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (n) to conduct exit interviews with any director, manager, financial controller or internal control manager upon their resignation in order to ascertain the reasons for his departure;
- (o) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- (p) to consider the appointment of any person to be an Audit Committee member and auditors either to fill a casual vacancy or as an additional Audit Committee member and auditors or dismissal of any of them;
- (q) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and 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;
- (r) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (s) to report to the Board on the matters set out in this terms of reference; and
- (t) to consider other topics, as defined by the Board.

12. Reporting Procedures

12.1 The Audit Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the Chairman shall report the findings and recommendations of the Audit Committee to the Board, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on

disclosure due to regulatory requirements).

12.2 The Chairman, or in the absence of the Chairman, a member of the Audit Committee or failing this his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to shareholders' questions. The Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

13. Authority

13.1 The Audit Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Audit Committee and to supply information and answer questions raised by the Audit Committee;
- (b) to monitor whether the Group's management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time prescribed by the Stock Exchange and/or laid down by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request management to make investigation and submit reports;
- (d) to review the Group's risk management and internal control system;
- (e) to review the performance of the Group's employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group's risk management and internal control system;
- (g) to request the Board to convene a shareholders' meeting for purposes of revoking the appointment of any Director and to dismiss any employees if there is evidence showing that the relevant Director and/or employee has failed to discharge his duties properly;

- (h) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group;
- (i) to commission reports or surveys as are necessary to assist in the performance of its duties at the cost of the Company;
- (j) to review annually these terms of reference and their effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary;
- (k) to obtain outside legal or other independent professional advice and to secure the attendance of independent third parties with relevant experience and expertise, if it considers this necessary; and
- (l) where there is any disagreement between the Audit Committee and the Board on the selection, appointment, resignation or dismissal of the external auditors, ensure that the Company includes in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reasons why the Board has taken a different view.

13.2 The Audit Committee should be provided with sufficient resources to discharge its duties.

14. Continuing applications of the articles of association of the Company

14.1 The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and not inconsistent with the provisions of these terms of reference shall apply, mutatis mutandis, to regulate the meetings and proceedings of the Audit Committee.

15. Powers of the Board

15.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Code of Best Practice or, as the case may be, Code of Corporate Governance Practices), amend, supplement and revoke the provisions of this terms of reference and any resolution passed by the Audit Committee provided that no amendments to and revocation of the provision of this terms of reference and the resolutions passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if such provisions or resolutions had not been amended or revoked.

16. Publication of the terms of reference of the Audit Committee

The Audit Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of the Company and on the website of the Stock Exchange.