

China Oilfield Services Limited
Terms of Reference for the Audit Committee of the Board

Chapter 1 General

1. The Company has established the Audit Committee of the Board and formulated these terms of reference in accordance with the Articles of Association of the Company (as amended on 22 July 2016), The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Update No. 117 in June 2016) and Guidance on Audit Committee of the Board of the Listed Companies on Shanghai Stock Exchange (Shang Zheng Fa [2013] No. 22) .

2. The Audit Committee of the Board is a committee specifically set up by the Board, and is responsible for reviewing the accounting policies, financial conditions and the financial reporting procedures of the Company, examining the internal control system, making recommendations on the engagement of the external auditor and coordinating, overseeing and inspecting internal and external audits. The Audit Committee is accountable to the Board, and report to the Board.

Chapter 2 Composition

3. The Audit Committee shall comprise three independent non-executive directors with expertise and commercial experience to fulfill their responsibilities of the Audit Committee, at least one of whom must have the background in professional accounting.

4. The Audit Committee shall have a chairman (convener), who shall be an independent non-executive director with the professional accounting qualification;

5. The members and chairman of the Audit Committee shall be nominated by the Nomination Committee and selected by the Board.

6. If any members resign from the position of director of the Company during his term of office, he shall immediately cease to be a committee member. The vacancy shall be filled in accordance with Clause 3, 4 and 5.

7. The Committee shall have a working group which may comprise relevant personnel of the financial department, audit department and board secretary office. The board secretary office is responsible for daily communications and organizing meetings of the Committee etc.

Chapter 3 Duties and Powers

8. The main duties and powers of the Audit Committee are:

(1) Relationship with the external auditor

(a) to assess independence and expertise of the external auditor, especially the impact on independence when the external auditor provides non-auditing services;

(b) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and engagement terms of the external auditor;

(c) to review and monitor the effectiveness of the audit process in accordance with applicable standards; the Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(d) to develop and implement the policy on external auditor to supply non-audit service.

(e) to discuss and communicate with the external auditor on the scope, plan and method of audit and material items identified during auditing process;

(f) to supervise and evaluate whether the external auditor is diligence and competent.

(2) Review of and opine on the Company's financial information

(a) to review the Company's financial statements and opine on truthfulness, completeness and accuracy of the financial statements;

(b) to particularly attend to material accounting and auditing issues, including material adjustment to accounting deviation, material accounting policy and assumption adjustment, matters relating to material accounting judgment and matters leading to non-standard and qualified auditors' reports, etc;

(c) to particularly attend to the possibility that fraud and malpractice relating to financial statements or material wrongfulness of financial statements exists;

(d) to supervise rectification of financial statements;

(e) To monitor integrity of the Company's financial statements, annual report and accounts, half-year report and quarterly reports, and to review significant opinions on the financial reporting contained in them.

(3) Supervision of the Company's financial reporting system and internal control system.

(a) to supervise the Company's financial control, internal control, and risk management systems;

(b) to discuss the internal control system with the management to ensure that management has performed its duty to establish an effective internal control system;

(c) to research on the major findings on the investigation of the internal control matters and the management responses on its own initiative or as delegated by the Board;

(d) to review Company's financial and accounting policies and practices and to assess annually whether the Company has adequate resources to arrive at the results set out in the work report;

(e) to review the external auditor's management letter from the external auditor to the management, any material queries raised by the auditor to management about accounting policies, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

(4) Review relevant matters of connected transactions.

(a) The Audit Committee is responsible for the control and routine management of the connected transactions of the Company. The Audit Committee of the Board of Directors may, in due course, organize special audits on the connected transactions and report the results of the audit to the Board and the Supervisory Committee.

(b) The Audit Committee shall confirm the list of connected persons of the Company and report to the Board and the Supervisory Committee in a timely manner.

(c) The Audit Committee is responsible for reviewing the connected transactions between the Company and the connected parties, form written opinions, submit them to the Board for review, and report to the Supervisory Committee. The Audit Committee may appoint an independent financial adviser to issue a report as the basis for its judgment.

(5) Assess the effectiveness of internal control of the Company.

(a) to assess the appropriateness of the design of the internal control system of the Company;

(b) to review self-evaluation of the internal control report;

(c) to review the internal control audit report issued by the external auditing organization, to communicate with the external auditor to identify the problems and improve the method;

(d) to assess the results of internal control evaluation and audit, and supervise the rectification of internal control deficiencies.

(6) Guide the internal audit work.

(a) to review the annual internal audit work plan of the Company;

(b) to urge the implementation of the internal audit plan of the Company;

(c) to review the internal audit work report, assess the results of the internal audit work, and urge the rectification of major issues;

(d) to guide the effective operation of the internal audit department.

(7) Coordinate the communication between management, internal audit department, relevant departments and external auditor.

(a) to coordinate management's communication with external auditor on major auditing issues;

(b) to coordinate the communication and cooperation between the internal audit department and the external auditor.

(8) Check the Company's compliance with legal and other statutory obligations.

(9) Inspect and supervise corporate conduct rules;

(10) Implement other authorities granted by the Board.

9. The Audit Committee shall be accountable to the Board, the resolution of which shall be submitted to the Board for approval. The Audit Committee shall cooperate with the Supervisory Committee for audit activities.

Chapter 4 Procedures of Decision-making

10. The audit working group shall be responsible for performing the preliminary works of the Audit Committee in its decision making, and providing relevant materials in written:

(1) relevant financial report;

(2) internal and external auditor's working report;

(3) external audit contract and relevant working report;

(4) information disclosure;

(5) audit report on major connected transactions;

(6) the actual status of the internal control system;

(7) other related matters.

11. The Audit Committee shall consider the report by the audit working group, and submit relevant resolution or report to the Board.

Chapter 5 Rules of Proceedings

12. The meetings of the Audit Committee shall consist of periodical meetings and temporary meetings. At least four periodical meeting shall be held annually before the first, the second, the third and the fourth annual periodical meeting of the board. The temporary meeting shall be individually or jointly convened by the chairman of the Audit Committee or two members respectively. Notice shall be given to all members seven days in advance. The meeting shall be chaired by the chairman of the committee. The members of the Audit Committee shall be present in person and express their views on the matter under consideration. If a member cannot attend the meeting in person, he may submit a power of attorney signed by the member and entrust other members to attend and give his / her

opinions. Power of attorney shall clearly set out authorized scope and duration. Each member shall receive a maximum of one entrustment. If an independent director is unable to attend the meeting in person, he or she shall entrust other independent directors to attend the meeting.

13. The Audit Committee shall meet at least once a year in a separate communication meeting with the external auditor, with no management involvement. The secretary to the Board may attend the meeting.

14. The Audit Committee meeting shall be held only when more than 2/3 of all members can attend the meeting. Each member is entitled to one vote. Resolutions of a meeting must be adopted by the affirmative votes of more than half of its members; If the members of the Audit Committee are interested in matters discussed at the meeting, they shall be abstained from voting; if the members of the Audit Committee are unable to form an effective opinion, the relevant matters shall be directly examined by the Board.

15. The Audit Committee shall adopt voting by show of hands or on a poll in its meeting; and a meeting may also be convened in the form of communication in case of emergency.

16. With the consent or proposal of the chairman of the committee members of the audit working group, may be present at the meeting, and directors, supervisors and other senior management members of the Company may be invited to attend the meetings, if necessary.

17. If necessary, the Audit Committee may engage an external party to provide professional advice on its decision at the cost of the company.

18. The procedures for convening a meeting, the method of voting and the resolutions passed at the meetings of the Audit Committee shall comply with the provisions of the relevant laws and regulations, the Articles of Association and these terms of reference.

19. The Audit Committee shall keep minutes of the meetings. Members present at the meetings shall sign the minutes of the meetings, which shall be kept by the Secretary to the Board of the Company.

20. The resolutions passed and the results of voting at the meeting of the Audit Committee shall be reported in writing to the Board of the Company.

21. Members present at the meeting shall have an obligation to keep all matters discussed in such meetings confidential, and shall not disclose the relevant information without authorization.

22. In case the major problems discovered by the Audit Committee during the performance of their duties relates to the information disclosure standards stipulated in the listing rules of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, the Company shall promptly disclose such matters and their rectification. The Audit Committee shall give its opinions to the Board in respect of matters within its scope of duties. If the Board fails to adopt the matter, the Company shall disclose the matter and give sufficient reasons.

23 The Company shall disclose the members of the Audit Committee, including the composition, the professional background, the employment experience within 5 years, the changes of members of the Audit Committee and the special opinions issued by the Audit Committee on the major issues of the Company. At the same time, the Company shall disclose the annual performance of the Audit Committee on the websites of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, including the performance of its duties and the convening of the meetings of the Audit Committee.

Chapter6 Miscellaneous

24. These terms of reference shall be effective on the date when the relevant resolution is passed by the Board.

25. Any matters not covered by these terms of reference shall be implemented in accordance with relevant laws and regulations of the State and the Articles of Association of the Company. Where there is a conflict between these terms of reference and future laws and regulations to be promulgated by the State or the Articles of Association of the Company as amended in accordance with legitimate procedures, these terms of reference shall be implemented in accordance with relevant laws and regulations of the State and the Articles of Association of the Company and corresponding amendments to these terms of reference must be submitted to the Board for consideration and approval in a timely manner.

26. The interpretation of these terms of reference shall be vested in the Board of the Company.