



ASIA ENERGY LOGISTICS GROUP LIMITED

亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 351)

**TERMS OF REFERENCE OF
THE AUDIT COMMITTEE**

1. CONSTITUTION

1.1 The Audit Committee (the “**Committee**”) is a committee of the board of directors (the “**Director**”) (the “**Board**”) of Asia Energy Logistics Group Limited (the “**Company**”).

2. OBJECTIVE

2.1 To assist the Board in overseeing and reviewing the financial reporting system, internal control procedures, risk management and compliance issues of the Group with independent judgment.

3. MEMBERSHIP

3.1 The Committee shall consist of not less than three Non-Executive Directors, a majority of Independent Non-Executive Directors. The Chairman of the Committee shall be appointed or removed by the Board and must be an Independent Non-Executive Director.

3.2 Members of the Committee (the “**AC Member(s)**”) may only be appointed or removed by the Board.

3.3 At least one of the Independent Non-Executive Directors must have appropriate professional qualification of accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

- 3.4 A former partner of the Company's existing auditing firm should be prohibited from acting as an AC Member of the Committee for a period of two years from the date of his ceasing:
- a) to be a partner of the firm; or
 - b) to have any financial interest in the firm, whichever is later.
- 3.5 The company secretary of the Company (the "**Company Secretary**") shall be the secretary of the Committee.

4. AUTHORITY

- 4.1 The Committee shall report directly to the Board.
- 4.2 The Committee is authorized by the Board to perform activities within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 4.3 The Committee is authorized to inspect all accounts, books and records of the Company and the Committee shall have the right to require the Management of the Company to furnish all information requested by the Committee as may be required for the purpose of discharging its duties.
- 4.4 The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.
- 4.5 The Committee is authorized to seek independent professional advice, at the expenses of the Company, to perform its responsibilities, where necessary; and to secure the attendance of outsiders with relevant experience and expertise if it considers fit and necessary.
- 4.6 The Committee should be provided with sufficient resources to perform its duties.

5. DUTIES AND POWERS

5.1 Relationship with the Company's auditors

- a) To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, 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.
- d) To act as the key representative body for overseeing the Company's relations with the external auditor.

5.2 Review of the Company's financial information

- a) 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 judgments 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.

- b) In relation to 5.2(a) above, AC Members are required to:
 - (i) liaise with the Board and senior management;
 - (ii) meet with the Company's auditors at least twice a year; and
 - (iii) 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.

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

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) To review the Group's financial and accounting policies and practices.
- f) 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.
- g) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

- h) 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 shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action.

5.4 Others

- a) To report to the Board on the matters in the code provision of the Corporate Governance Code of the Listing Rules.
- b) To consider other topics, as defined by the Board.
- c) To report to the Board in relation to any other significant decisions and recommendations of the Committee which ought properly to be brought to the attention of the full Board.

6. QUORUM

6.1 The quorum for a meeting shall be two AC Members.

7. MEETINGS

7.1 Meetings of the Committee shall be held at least twice a year.

7.2 The AC Members may participate in any meeting of the Committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing and speaking to each other throughout the meeting. A person participating in this way is deemed to be present in person at the meeting and is counted in a quorum and entitled to vote.

7.3 Resolutions of the Committee at any meeting shall be passed by a majority of votes of the AC Members present.

7.4 A resolution in writing signed by all AC Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

7.5 The chairman of the Committee may, from time to time, invite members of Management, the head of internal audit, representatives of the external auditor and advisers to the meetings, including but not limited to external advisers or consultants to advise its AC Members.

7.6 Only AC Members are entitled to vote at the meeting.

- 7.7 All meetings and proceedings of the Committee shall be governed by the provisions of the Articles of Association of the Company regulating proceedings of meetings of the Board unless otherwise provided herein.
- 7.8 Full minutes of the meetings of the Committee shall be kept by the Company Secretary. Draft and final versions of minutes of the meetings shall be circulated to all AC Members for their comment and records, within a reasonable time after the meeting.
- 7.9 The Committee should be required to report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

8. REVIEW

- 8.1 These terms of reference govern the operations of the Committee. The Committee shall review and reassess the terms of reference and the effectiveness of the Committee on a regular basis or as required.

9. PUBLICATION OF THE TERMS OF REFERENCE

- 9.1 The 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 websites of the The Stock Exchange of Hong Kong Limited and the Company.

10. ANNUAL GENERAL MEETING

- 10.1 The Chairman of the Committee or in his/her absence, another AC Member (who must be an Independent Non-Executive Director) of the Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Committee activities and their responsibilities.

Note: If there is any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.

(Updated in February 2023)