

ASIA ENERGY LOGISTICS GROUP LIMITED

(the “Company”)

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 members.
- 3.2 Members of the Committee shall be appointed by the Board comprising the Non-Executive Directors only, a majority of whom must be Independent Non-Executive Directors.
- 3.3 The Chairman of the Committee shall be appointed by the Board and must be an Independent Non-Executive Director.
- 3.4 At least one of the Independent Non-Executive Directors serving as a member of the Committee must have appropriate professional qualification of accounting or related financial management expertise.

- 3.5 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year 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.
- 3.6 The company secretary of the Company (the "Company Secretary") shall be the secretary of the Committee.

4. Authority

- 4.1 The Committee should be provided with sufficient resources to perform its duties.
- 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 by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers fit and necessary.

5. Responsibilities and Duties

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.

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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and legal requirements in relation to financial reporting.

e) Regarding (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 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, risk management and internal control systems

f) 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.

g) 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.

h) 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.

- 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 the Group's financial and accounting policies and practices.
- 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.

Relationship among the Company and its employees

- m) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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.
- n) To act as the key representative body for overseeing the Company's relations with the external auditor.

Others

- o) To report to the Board on the matters in this terms of reference.
- p) To consider other topics, as defined by the Board.
- q) To update the Board regularly on any findings or any matters that may have impact on the financial position or the affairs or the business of the Group and make respective recommendations

in particular to the matters required to be performed by the Committee as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules.

- r) To set up arrangements by which employees can, in confidence, raise concerns about possible improprieties in any matter related to the Company.

6. Attendance at meetings

- 6.1 Other than the Committee members, the person in the senior management of the Company responsible for overseeing the financial reporting procedures, risk management, internal controls and other accounting related issues of the Group, representative of the external auditors and other Board members may attend the meetings of the Committee if required and appropriate.
- 6.2 Regarding 5(d) above, the members of the Committee should liaise with the Board, the Company's senior management and the person in the senior management as mentioned in 6.1 above and the Committee must meet, at least twice a year, with the Company's external auditors.
- 6.3 Meetings could be held in person, by telephone or by video conference. Members of the Committee may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

7. Quorum of meetings

- 7.1 The quorum for a meeting shall be two members.

8. Frequency of meetings

- 8.1 Meetings of the Committee shall be held at least twice a year.
- 8.2 Special meeting may be convened as required by request of the external auditor.

9. Reporting procedures

- 9.1 Full minutes of the meetings of the Committee should be kept by the Company Secretary. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records, within a reasonable time after the meetings.
- 9.2 The Committee should be required to report back 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).
- 9.3 Signed minutes of meetings and reports of the Committee should be circulated to all members of the Board.
- 9.4 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

10. Review

- 10.1 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.

11. Publication of the Terms of Reference

- 11.1 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 Stock Exchange and the Company.

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