



**AAG Energy Holdings Limited**  
**亞美能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 2686)

**Terms of Reference for Audit Committee**

**Purpose**

1. The purpose of the audit committee (the “**Audit Committee**”) is to assist the board of directors (the “**Board**”) of AAG Energy Holdings Limited (the “**Company**”) in considering how the Board should apply financial reporting and risk management and internal control principles and maintain an appropriate relationship with the Company’s auditors.

**Composition**

2. The Audit Committee shall comprise a minimum of three members (the “**Members**”) consisting of non-executive directors of the Company only and a majority of which must be independent non-executive directors of the Company. The Audit Committee must comprise of at least one independent non-executive director of the Company, who has appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time).
3. A former partner of the existing auditing firm of the Company is prohibited from acting as a Member for a period of two years commencing on the later of (a) the date of his ceasing to be a partner of the firm; and (b) the date of his ceasing to have any financial interest in the firm.
4. The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and must be an independent non-executive director of the Company.
5. The company secretary of the Company (the “**Company Secretary**”) shall be the secretary of the Audit Committee.

**Meetings**

6. The Audit Committee shall meet at least twice a year. The Board, any Member and the external auditors may request a meeting if they consider that one is necessary.
7. Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. If a meeting is called by a shorter notice, it shall be deemed to have been duly called if it is so agreed by a majority of the Members. A Member who attends such a meeting shall deem to agree to the shorter notice. Notice of any adjourned meetings is not required if the adjournment is less than 14 days.

8. A quorum of the Audit Committee shall be two Members.
9. Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment provided that all persons participating in the meeting are capable of hearing each other.
10. Only Members are entitled to vote at the meetings of the Audit Committee.
11. Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
12. A resolution in writing signed by all Members shall be valid and effectual as if it has been passed at a meeting of the Audit Committee duly convened and held.

### **Attendance**

13. The Chairman (or in his or her absence, a Member designated by the Chairman) shall preside at all meetings of the Audit Committee. The Chairman shall be responsible for leading the Audit Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.
14. The Financial Controller of the Company, the head of internal audit department and a representative of the external auditors shall normally attend meetings of the Audit Committee. Other Board members shall also have the right of attendance. However, at least twice a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.

### **Access**

15. The Audit Committee shall have full access to management and may invite members of management or others to attend its meetings.

### **Reporting Procedures**

16. The Audit Committee shall ensure the effectiveness of the Audit Committee and evaluate and assess the adequacy of these Terms of Reference on an annual basis and recommend any proposed changes to the Board.
17. Full minutes of meetings of the Audit Committee (draft and final versions) and the record of individual attendance at such meetings shall be prepared and kept by the Company Secretary. Draft and final versions of the minutes of the meetings should be sent to all Members for their comment and records within a reasonable time after the meeting.

### **Authority**

18. The Audit Committee is authorized by the Board to investigate any activity within these Terms of Reference. It is authorized to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Audit Committee.
19. The Audit Committee is authorized by the Board to inspect all accounts, books and records of the Company.
20. The Audit 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 at meetings of the Audit Committee if it considers this necessary.

21. The Audit Committee shall be provided with sufficient resources to discharge its duty.

### **Duties**

22. The duties of the Audit Committee shall include the following aspects:

#### *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, 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 Audit 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 policies on engaging of an external auditor to supply non-audit services. For this purpose, an 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 Audit 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 the integrity of the Company's financial statements and annual reports and accounts, half-year reports 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 Audit Committee shall focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the 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 paragraph (d) above: (i) Members shall 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 shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and 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, risk management and internal control systems*

- (f) to review the Company's financial controls, 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 shall include the adequacy of resources, staff qualifications and experience, training programs 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 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;
- (m) to report to the Board on the matters set out in the Corporate Governance Code and Corporate Governance Report (Appendix 14 to the Listing Rules);
- (n) 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relation with the external auditor;
- (p) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and
- (q) to consider such other matters as the Board may from time to time determine.

#### **Publication of these Terms of Reference**

23. These Terms of Reference will be posted on the respective website of the Company and Hong Kong Exchanges and Clearing Limited.