

UNITED ENERGY GROUP LIMITED

聯合能源集團有限公司

(the “Company”)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 467)

TERMS OF REFERENCE

OF

AUDIT COMMITTEE

(“the Committee”)

Revised Date : 30 March 2012

Membership

1. The Committee shall consist of at least three Independent Non-executive Directors appointed by the board of directors (“the Board”) from time to time. At least one member of the Committee must have appropriate professional qualifications or accounting or related financial management expertise.
2. The Board shall nominate one of the members as the Chairman of the Committee.
3. The company secretary of the Company or a nominee shall act as the Secretary of the Committee.

Frequency and proceedings of meetings

1. The Committee shall meet at least two times every year. Additional meetings shall be held as the work of the Committee demands.
2. The Chairman of the Committee may convene additional meetings at his discretion.

3. The quorum of a meeting shall be two members of the Committee.
4. Proceedings of meetings of the Committee shall be governed by the provisions of the Bye-Laws of the Company.

Authority

1. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience if it considers this necessary.
2. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
3. Where the Board disagrees with the Committee's view on the selections, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reason why the Board has taken a different view.
4. The Committee is to be provided with sufficient resources to discharge its duties.

Responsibility

1. The Committee is to serve as a focal point for communication between other Directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
2. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, internal controls of the Company and its subsidiaries ("the Group"), and adequacy of the external and internal audits.

Functions

The Committee is to :

- (a) consider the appointment of the external auditors, the performance of the external auditors, the audit fee, and any questions of resignation or dismissal;
- (b) review with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;
- (c) have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) prior to commencement, review the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditors in determining their audit scope. The external auditors' fees is to be negotiated by management, and presented to the Committee for review and approval annually;
- (e) review the annual and interim financial reports prior to approval by the Board, with particular focus on :
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption and any qualification;
 - (v) compliance with accounting and auditing standards; and
 - (vi) compliance with the listing requirements of The Stock Exchange of Hong Kong Limited and legal requirements;
- (f) review the draft representation letter prior to approval by the Board;

- (g) evaluate the cooperation received by the external auditors, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditors to the Group's needs; inquire of the external auditors as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (h) meet the external auditor at least twice a year and seek from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- (i) discuss with the external auditors any recommendation arising from the audit (if necessary in the absence of management); and review the draft management letter including management's response to the points raised;
- (j) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;
- (k) review the scope and results of internal audit procedures, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (l) the engagement of the external auditors to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditors due to their unique expertise in a particular area, the prior approval of the Committee is required;
- (m) discuss with management the scope, quality of systems of internal control and risk management systems ;
- (n) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget;

- (o) apprise the Board of significant developments in the course of performing the above duties;
- (p) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (q) arrangements for employees of the Company to raise concerns about financial reporting improprieties;
- (r) review the findings of internal investigations into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- (s) establish a whistleblowing policy and system:
- (t) approve the policies relating to the hiring of employees or former employees of the external auditors and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit;
- (u) consider other topics, as requested by the Board.

Reporting Procedures

The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report the findings and recommendations of the Committee to the Board.

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