



MIE HOLDINGS CORPORATION

MI 能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1555)

(the “Company”)

TERMS OF REFERENCE AND MODUS OPERANDI

OF

AUDIT COMMITTEE

(the “Committee”)

Membership

1. The Committee shall consist of not less than three members appointed by the board of directors of the Company (the "Board"), all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors under the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited. The committee shall have at least one independent non-executive director who has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
2. The Chairman of the Committee shall be an independent non-executive director and shall be appointed by the Board.
3. The Company Secretary or his nominee shall act as the Secretary of the Committee.

Frequency and proceedings of meetings

4. The Committee should meet at least two times per year. Additional meetings should be held as the work of the Committee demands.
5. In addition, the chairman of the Committee may convene additional meetings at his discretion.
6. The quorum for a meeting shall be two members.
7. Proceedings of meetings of the Committee shall be governed by the provisions of Article 20 of the Articles of Association of the Company.

Authority

8. 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 and expertise if it considers this necessary.
9. 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.
10. Where the Board disagrees with the Audit Committee's view on the selection, 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 Audit Committee's view and the reasons why the Board has taken a different view.

11. The Audit Committee is to be provided with sufficient resources to discharge its duties.

Responsibility

12. 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.
13. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the "group"), and as to the adequacy of the external and internal audits.

Duties, powers and functions

14. 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 their resignation or dismissal;
 - (b) review the Company's financial control, internal control and risk management system, 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) (covering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financing reporting function) and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;
 - (c) review the Group's financial and accounting policies and practices have familiarity with the financial reporting principles and practices applied by the group in preparing its financial statements;
 - (d) prior to its commencement, review the nature and scope of the external audit and reporting obligations, 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 reports and accounts, quarterly (if any) 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 qualifications;
 - (v) compliance with accounting and auditing standards; and
 - (vi) compliance with the listing requirements of the The Stock Exchange of Hong Kong Limited and other legal requirements;

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. The Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and 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.

- (f) review the draft representation letter prior to approval by the Board;
- (g) act as the key representative body for overseeing the Company's relationship with the external auditors 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) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. 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 recommendations arising from the audit (if necessary in the absence of management) any material queries raised by the auditors to the management about accounting record, financial accounts or systems of control; and review the draft management letter including management's response to the points raised by the auditor;
- (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 and quality of systems of internal control;
- (n) apprise the Board of significant developments in the course of performing the above duties;
- (o) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (p) review the findings of internal investigations into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations, consider management's responses to these findings;

- (q) agree with the Board the Company's policy 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;
 - (r) review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action;
 - (s) consider other topics, as requested by the Board.
15. The Committee should be provided with sufficient recourses to discharge its duties.

Reporting Procedures

16. The Committee should 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 to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the board which addresses the work and findings of the Committee during the year.

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