



Terms of Reference of Audit Committee (“Committee”) of Enviro Energy International Holdings Limited (“Company”)

Functions and Objectives

The Committee is appointed by the board of directors of the Company (“**Board**”) with a view to assisting the Board in overseeing and reviewing:

- (a) the application and effectiveness of the Company’s internal control, risk management and regulatory compliance principles;
- (b) the balance, transparency and integrity of the Company’s financial statements and the application of financial reporting principles;
- (c) the Board’s relationship with the Company’s external auditor, and its independence assessment; and
- (d) the effectiveness of the Company’s internal audit function.

Membership and Composition

The Committee shall comprise not less than three independent non-executive directors.

The Chairman of the Committee shall be appointed by the Board.

The Board may from time to time appoint additional members to the Committee from among the non-executive directors it has determined to be independent.

A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of its 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.

Unless it is agreed otherwise, the Company Secretary of the Company should assume the role of Secretary for the Committee.

Meetings and Quorum

The Committee shall meet with such frequency and at such times as it may determine, but in any event not less than two times a year.

The quorum for meetings of the Committee shall be two, one of whom should be the Chairman of the Committee, unless he is unable to attend due to exceptional circumstances.

Full minutes of Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be 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 meeting.

The Committee may invite any director, executive, external auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objectives.

Authority and Duties of the Committee

- (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 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 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 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 Chief Financial Officer and/or other staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) To review the Company's financial controls, internal control and risk management systems;
- (g) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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 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 Company's (including its subsidiaries and jointly-controlled entity) 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;
- (m) 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 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;
- (o) To report to the Board on the matters in these Terms of Reference; and
- (p) To consider other topics, as defined by the Board.

Adopted on 29 March 2012