



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

Functions and Objectives

The Committee is appointed by the board of directors of the Company (the “**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 is precluded to be a member of the Committee for a period of one year commencing on the date of his ceasing to be a partner of the firm or 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 four times a year.

The quorum for meetings 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 the committee meetings should be kept by the secretary of the Committee. Draft and final versions of minutes of the Committee meetings should be sent to all members of the

Committee for their comment and records respectively, in both cases 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 recommendation 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 resignation or dismissal of that auditor;
- (b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. 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 the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (d) To monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and other legal requirements in relation to financial reporting;
- (e) In regard to (d) above:-
 - (i) Members of the Committee must liaise with the Board and senior management and the Committee must meet, at least once 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 such reports and accounts and must 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 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 Company's accounting and financial reporting function, and their training programmes and budget;
 - (h) To consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
 - (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 the effectiveness of the internal audit function;
 - (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 in respect of the 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 these Terms of Reference; and
 - (n) To consider other topics, as defined by the Board.

23 March 2009