

AUDIT COMMITTEE TERMS OF REFERENCE

1. OBJECTIVE

- 1.1 The Audit Committee (the “**Committee**”) of Eminence Enterprise Limited (the “**Company**”) is to assist the board of directors of the Company (the “**Board**”) in (i) ensuring that an effective system of internal control and compliance with the Company’s obligations (including external financial reporting obligations) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as modified from time to time (the “**Listing Rules**”) and applicable laws and regulations is in place; and (ii) overseeing the integrity of the financial statements of the Company.
- 1.2 The Committee shall also be directly responsible on behalf of the Board for (i) the selection, oversight and remuneration of the Company’s external auditor; (ii) the assessment of independence and qualifications of the external auditor; and (iii) the oversight of the performance of the Company’s external auditor.

2. MEMBERSHIP

- 2.1 All members of the Committee (the “**Members**”) shall be appointed by the Board and shall comprise a minimum of three non-executive directors.
- 2.2 The majority of the Members shall be independent non-executive directors, at least one of whom has to be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules.
- 2.3 The Chairman of the Committee (the “**Chairman**”) shall be appointed by the Board and must be an independent non-executive director.
- 2.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a Member for a period of 1 year 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.
- 2.5 The Company Secretary of the Company or his delegate shall be the secretary of the Committee.

3. AUTHORITY

- 3.1 The Committee shall report directly to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 3.2 The Committee is authorized to inspect all accounts, books and records of the Company and the Committee shall have the right to require the management of the Company to furnish all information requested by the Committee as may be required for the purposes of performing its duties.
- 3.3 The Committee is authorized 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. The Committee shall have sole authority to approve all reasonable related fees and terms of engagement.
- 3.4 The Committee is to be provided with sufficient resources to perform its duties.

4. DUTIES

The duties of the Committee shall include the following aspects:

A. Relationship with the Company's external auditor

- 4.1 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;
- 4.2 to act as the key representative body for overseeing the relations of the Company and the external auditor;
- 4.3 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- 4.4 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 4.5 to develop and implement policy on engaging of 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; and
- 4.6 to be primarily responsible for making recommendation to the Board for the approval of any non-audit services provided to the Company by the external auditor. The Committee should ensure that the provision of such non-audit service does not impair the external auditor's independence or objectivity. When assessing the independence or objectivity of the external auditor in relation to the provision of non-audit services, the Committee should consider:

- (a) whether the skills and experience of the audit firm and make it a suitable supplier of such non-audit services;
- (b) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the external auditor notwithstanding it is proposed provision of the non-audit services;
- (c) the nature of the non-audit services, the related fee levels and the individual and aggregate fee levels to the audit firm; and
- (d) the criteria for determining the compensation of the individuals performing the non-audit services.

B. Review of financial information of the Company

4.7 to monitor the integrity of the Company's financial statements, annual report and accounts, half-year report and accounts, to discuss the reports and accounts with management and external auditor and to review significant financial reporting judgements contained in them. In reviewing these reports and accounts before submission to the Board, the Committee should focus particularly on: -

- (a) financial reporting and accounting policies and practices;
- (b) any changes in financial reporting and accounting policies and practices;
- (c) major judgmental areas;
- (d) significant adjustments resulting from audit;
- (e) the going concern assumptions and any qualifications;
- (f) compliance with accounting standards; and
- (g) compliance with the Listing Rules and legal requirements in relation to financial reporting;

4.8 with regard to the preparation of reports and accounts referred to above, to liaise with the Board and senior management and to meet, at least twice a year, with the Company's external auditor; and

4.9 to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts referred to above, and to give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or external auditor.

C. Oversight of the Company's financial reporting system and internal control procedures

4.10 to review the group's financial and accounting policies and practices;

4.11 to review the financial controls, internal control and risk management systems of the Company with particular regard to their effectiveness;

4.12 to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- 4.13 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;
- 4.14 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;
- 4.15 to review the statement of the Company on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- 4.16 to discuss any problems and reservation which the external auditor may have arising from the interim and final audits, and any interim audits or otherwise, and any response of management in connection therewith;
- 4.17 to review the management letter of the external auditor, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and the response of management of the Company;
- 4.18 to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor; and
- 4.19 to review arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters for appropriate follow-up action.

D. Corporate Governance delegated by the Board

To ensure the upheld of good corporate governance including, but not limited to:-

- 4.20 to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board;
- 4.21 to review and monitor the training and continuous professional development of directors and senior management;
- 4.22 to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;
- 4.23 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the directors and employees; and
- 4.24 to review the compliance by the Company with the Corporate Governance Code (Appendix 14 of the Listing Rules) and the disclosure requirements for the Corporate Governance Report.

E. Other duties

- 4.25 to ensure the Company's practices and procedures with respect to related party transactions are adequate for compliance with the requirements under the Listing Rules and the applicable rules;

- 4.26 to review from time to time as appropriate these Terms of Reference and recommend to the Board any necessary changes;
- 4.27 to report to the Board on the matters in these Terms of Reference and where the monitoring activities of the Committee reveal cause for concern or scope for improvement, the Committee shall make recommendations to the Board to address the issue or to make improvements; and
- 4.28 to consider other topics or matters, as defined or referred to the Committee by the Board.

5. MEETINGS

5.1 Frequency

The Committee shall meet at least twice a year. Additional meetings may be held as when the Committee shall see fit.

5.2 Notice

Notice of any meetings of the Committee has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice.

5.3 Quorum

The quorum of the Committee shall be any two Members.

5.4 Attendance

The following persons will normally attend all the meetings of the Committee, unless requested otherwise by the Committee:

- (a) external auditor;
- (b) Chief Financial Officer / Assistant General Manager; and
- (c) Company Secretary.

Other members of the Board may attend meetings of the Committee although only Members are entitled to vote at such meetings.

The Chairman or in his absence, another Member (who must be an independent non-executive director) shall attend the annual general meetings of the Company and be prepared to respond to the question from shareholders on the activities of the Committee and their responsibilities.

5.5 Resolutions

- (a) Resolutions of the Committee shall be passed by a majority of votes. Meetings can be held in person, by telephone or by video conference.
- (b) A resolution in writing signed by all the Members shall be valid and effectual as if has been passed at a meeting of the Committee duly convened and held.

5.6 Minutes

The secretary of the Committee shall keep full minutes of meetings of all Committee meetings. Draft minutes of meetings of the Committee shall be sent to all Members for their comment within a reasonable time after the meeting, and records respectively, in both cases within a reasonable time after the meeting. The final version of the minutes duly signed by the Chairman shall be sent to all Members for their records.

6. PUBLICATION OF THESE TERMS OF REFERENCE

A copy of these Terms of Reference will be made available to any person without charge upon request and be posted on the respective website of the Company and Hong Kong Exchanges and Clearing Limited.

Published in March 2012