

NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(“Company”)

TERMS OF REFERENCE OF

AUDIT COMMITTEE

(“Audit Committee”)

1. Membership

- (a) The members of the Audit Committee shall be appointed by the Company’s board of directors (“**Board**”) from time to time.
- (b) The Audit Committee shall consist of not less than three members, all members shall be non-executive directors of the Company, the majority of which should be independent non-executive directors of the Company, and at least one of whom shall 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 Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- (c) The Audit Committee must be chaired by an independent non-executive director of the Company.
- (d) The company secretary of the Company or a nominee shall act as the secretary of the Audit Committee.

2. Attendance at meetings

The chief financial officer and the head of internal audit (if any) of the Company and a representative of the external auditors of the Company (the “**Auditors**”) shall attend meeting of the Audit Committee. Other members of the Board shall also have the right of attendance. The other members’ said right of attendance, however, is subject to the requirement that the Audit Committee shall meet at least twice a year with the Auditors without any executive Board members present at the meeting.

3. Frequency and proceeding of meetings

- (a) Meeting of the Audit Committee shall be held not less than twice a year. The Auditors may also request a meeting with the Audit Committee if they consider that one is necessary.
- (b) A quorum of a meeting of the Audit Committee shall be two members.

4. Authority

- (a) The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it required from any employee of the Company and its subsidiaries (together the “**Group**”) and all employees of the Group are directed to co-operate with any request made by the Audit Committee.
- (b) The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of such advisers with relevant experience and expertise at any meetings of the Audit Committee if it considers this necessary.
- (c) The Audit Committee is to be provided with sufficient resources to discharge its duties.

5. Responsibility

- (a) The Audit Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor 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.
- (b) The Audit 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 Group, and as to the adequacy of the external and internal audits.

6. Duties

The duties of the Audit Committee shall include, but shall not be limited to the following:-

- (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 audit 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" 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 audit 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 judgements contained in them. In reviewing these reports before submission to the board, the Audit Committee should focus particularly on:-
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) in regard to (d) above:-
 - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Audit 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 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 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 Group's 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 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 above matters; and
- (n) to consider other topics, as defined by the Board.

7. Reporting procedures

At the next Board meeting following an Audit Committee's meeting, the Audit Committee's chairman shall report its findings and recommendations to the Board. The secretary of the Audit Committee shall circulate the minutes of the meetings of the Audit Committee to all members of the Board.

Adopted on 15 June 2006 and revised on 23 March 2012