

EMPEROR CAPITAL GROUP LIMITED
(THE “COMPANY”)

AUDIT COMMITTEE - TERMS OF REFERENCE

The board of directors of the Company (“**Board**”) has resolved to establish a Committee of the Board known as the Audit Committee (“**Committee**”) on 1 March 2007 pursuant to the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

1. MEMBERSHIP

- 1.1 The majority of the members of the Committee (“**Members**”) shall be independent non-executive directors of the Company.
- 1.2 The Chairman/Chairperson of the Committee shall be appointed by the Board and he/she shall be an independent non-executive of the Company.
- 1.3 The Company Secretary or her nominee shall act as the Committee’s Secretary.

2. MEETINGS

- 2.1 Meetings of the Committee shall be held not less than twice a year. The external auditor may request a meeting if they consider that is necessary.
- 2.2 A quorum of the meeting shall be two Members.
- 2.3 Proceedings of the Committee’s meetings shall be governed by the Company’s Bye-laws.

3. DUTIES, POWER AND FUNCTION

- 3.1 The Committee shall be provided with sufficient resources to perform its duties and have unrestricted access to other members of the Board, senior management, the qualified accountant, internal controller and external auditor in execution of its duties and responsibilities. All relevant employees will be directed to co-operate with any request made by the Committee.
- 3.2 The Committee can seek independent professional advice in accordance with the procedures agreed by the Board from time to time and request the attendance of any external professional with relevant experience and expertise at any meeting if it considers necessary.
- 3.3 The Committee shall act as the key representative body for overseeing the Company’s relations with the external auditor.

3.4 The Committee is :-

Relationship with the Company's auditor

- (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 ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity;
- (d) 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;

Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements and annual reports and accounts, half-year reports 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 Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the 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;

- (f) Regarding clause (e) above :-
 - (i) Members of the Committee should liaise with the Board and senior management and the Committee shall meet, at least twice a year, with the Company's auditor; 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 staff responsible for the accounting and financial reporting function, compliance officer or auditor;

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

- (g) to review the Company's financial controls, internal control and risk management systems;
- (h) 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;
- (i) 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;
- (j) 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;
- (k) to review the group's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on any matters set out above;
- (o) to consider other topics, as requested by the Board; and
- (p) to review arrangements by which employees of the Company can, in confidence, 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 appropriate follow-up action.

- 3.5 The Committee should report to the Board on a regular basis. At the next Board meeting following a Committee's meeting, the Committee's Chairman/Chairperson shall report the findings and recommendations to the Board.

4. GENERAL

- 4.1 The terms of reference of the Committee shall be made available on the websites of The Stock Exchange of Hong Kong Limited and the Company.
- 4.2 In case of discrepancies or inconsistencies between the English and Chinese versions of this terms of reference, the English version shall prevail.

Note: "Senior management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules.