

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF E-KONG GROUP LIMITED

The Board of Directors (the “**Board**”) of e-Kong Group Limited (the “**Company**”) has established an audit committee (the “**Audit Committee**”) with the authority, responsibility, and specific duties as provided in the corporate policies of the Company (the “**Corporate Policies**”) from time to time, the text thereof is recited, with necessary amendments, hereinbelow, and hereby constitutes the Terms of Reference for the Audit Committee.

1. Organisation

The Audit Committee was established pursuant to written resolutions signed by all directors of the Board of the Company dated 29 September 1999.

The Audit Committee comprises three (3) members who shall be appointed by the Board from time to time from amongst the non-executive directors of the Company (each, a “**Director**”). A majority of the members of the Audit Committee shall be Independent Non-executive Directors, one of whom shall be an Independent Non-executive Director with appropriate qualifications or accounting or related financial management expertise (having its meaning further described in Rule 3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Company’s Audit Committee for a period of 1 year commencing on 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 the later.

The Chairman of the Audit Committee shall be appointed by the Board and should be an Independent Non-executive Director.

The Company Secretary of the Company shall be the secretary of the Audit Committee, unless the Audit Committee otherwise determines.

2. Responsibility

Its principal role is to assist the Board to fulfil its duties to the shareholders, potential shareholders and the investment public by providing to the Board an independent review of the effectiveness of the financial reporting practices, quality and integrity of the financial reports of the Company, internal control systems and audit functions of the Company.

The Audit Committee shall serve as a local point for communications between other Directors, the external auditors and the Company’s management as their duties relate to financial and other reporting, internal controls, and the external and internal audits (including other matters as the Board deems necessary).

The Audit Committee shall report to the Board any suspected frauds or irregularities, failures of internal controls or suspected infringements of law, rules and regulations which come to its attention.

Specific duties of the Audit Committee include the following: -

- (a) To make recommendations to the Board on the appointment, reappointment and removal of, and consider the performance of the external auditors, to consider and approve the audit fees and other terms of engagement of the external auditors,, and any matters relating to the retention, resignation or dismissal of the external auditors.
- (b) To review with the Company's management and external auditors, the Company's financial controls, internal controls and risk management systems.
- (c) To discuss with management the systems of internal control and ensure that management has discharged its duty to have effective internal control systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budgets.
- (d) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.
- (e) To review the appropriateness of the financial and accounting policies and practices of the Group.
- (f) Prior to its commencement, to review the nature and scope of the external audit, including the engagement letter, and reporting obligations. The Audit Committee's review should include an understanding from the external auditors of the factors considered by them in determining their audit scope. The external auditor fees are to be negotiated with management, and annually analysed for the Audit Committee's review.
- (g) To monitor the integrity of financial statements of the Company and the Company's annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts and half-year report before submission to the Board, the Audit Committee should focus primarily on: -
 - (i) Any changes in accounting policies and practices;
 - (ii) Major judgmental areas;
 - (iii) Significant adjustments resulting from the audit process;
 - (iv) The going concern assumptions and any qualifications;
 - (v) Compliance with accounting standards; and

- (vi) Compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- (h) In regard to paragraph (g) above,
 - (i) Members of the Audit Committee must liaise with the Company's Board of Directors, senior management and the Chief Financial Officer of the Company and the Audit Committee must meet, at least once 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 such reports and accounts and must give due consideration to any matters that have been raised by the Chief Financial Officer of the Company, compliance officer or auditors.
- (i) To review the external auditors' management letters, any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's responses thereto.
- (j) To ensure that the Board provides a timely response to the issues raised in the external auditors' management letters.
- (k) To evaluate the cooperation received by the external auditors, including their access to all requested records data and information. Also, to obtain the comments of management regarding the responsiveness of the external auditors to the Company's needs. To enquire of the external auditors as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Company's financial statements.
- (l) To discuss with the external auditors any relevant recommendations arising from their audit works. To review the draft management representation letter including management's responses to the points raised.
- (m) To develop and implement policies on the engagement of external auditors to provide non-audit services, and to review the extent of non-audit services provided by the external auditors in relation to their independence.
- (n) To review with the Company's management, external auditors and internal auditors (if any), the adequacy of the Company's policies and the effectiveness of the systems of internal control of the Group, as well as the scope and quality thereof.
- (o) To consider any findings of investigations into any suspected frauds or irregularities or failures of internal controls or infringement of laws, rules and regulations so far as they relate to financial reporting or any other internal control matters.
- (p) To report to the Board on the matters set out in the Code on Corporate Governance Practices.
- (q) To recommend to the Board any appropriate extensions or changes in the duties of the Audit Committee.

3. **Authority**

The Audit Committee is granted the authority to investigate any activities within the Corporate Policies and all employees are directed to cooperate with any requests made by the Audit Committee.

The Audit Committee is authorized to conduct all such acts and things necessary for or desirable or incidental to the discharge of its duties and responsibilities.

The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the Audit Committee, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

4. **Proceedings**

(a) The Audit Committee shall meet at least two times per year. Additional meetings shall be held as the work of the Audit Committee demands or if so requested by the external auditors.

(b) As necessary or desirable, the Chairman of the Audit Committee may request that members of management, the head of internal audit (if any) and representatives of the external auditors be present at meetings of the Audit Committee. At least once a year the Audit Committee shall meet with the external auditors without executive Board members present.

(c) The quorum for the meetings of the Audit Committee shall be three members.

(d) The Audit Committee shall report to the Board on a regular basis. It shall at intervals of not less than once in a year present a report to the Board which addresses the work and findings of the Audit Committee during the year.

(e) Full minutes of each Audit Committee meeting are to be kept by the secretary of the meeting. Draft and final versions of the minutes shall be prepared and circulated among the Audit Committee members for their comments and records, respectively, in both cases within a reasonable time after the meeting.

(f) Save as above, other provisions regarding the proceedings of the Audit Committee shall be governed by the provisions contained in the Bye-laws and these Policies for regulating the meetings and proceedings of the Board so far as the same are applicable and are not inconsistent with the Corporate Policies of the Company in relation to the Audit Committee.

Dated this 14th day of December, 2004 and revised on the 30th day of March, 2009.