

China Power Clean Energy Development Company Limited
(the Company)
(Incorporated in Hong Kong with limited liability)

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TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1. MEMBERSHIP

1.1 Members of the Audit Committee (the **Committee**) shall be appointed by the board of directors (the **Board**) of the Company.

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1.2 The Committee must consist of a minimum of three members, all of whom must be non-executive directors.

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1.3 The majority of the members of the Committee must be independent non-executive directors, at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Listing Rules .

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1.4 A former partner of the Company acting as a member of the Committee for a period of 2 years from the date of his ceasing of (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

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2 CHAIRMAN

2.1 The chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.

3 SECRETARY

- 3.1 **Company Secretary** shall be the secretary of the Committee. The Company Secretary or, in his/her absence, his/her delegate(s) or any person elected by the members present at the meeting of the Committee, shall attend the meeting of the Committee and take minutes.

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4 PROCEEDINGS OF THE COMMITTEE MEETINGS

Unless otherwise specified hereunder, the provisions contained in the Company's Bye-laws (as amended from time to time) meetings shall apply to the meetings of the Committee.

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4.1 Quorum

- 4.1.1 The quorum for meetings of the Committee shall be any two members.

- 4.1.2 A duly convened meeting of the Committee at which a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

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- 4.1.3 The secretary of a Committee meeting shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute them accordingly. The relevant member of the Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Committee in which he/she or his/her associates has an interest.

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4.2 Frequency of meetings

4.2.1 The Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Committee may be held as and when required.

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4.2.2 The Committee shall meet with the external auditor of the Company at least twice a year. The external auditor may request a meeting if they consider necessary.

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4.3 Attendance at meetings

4.3.1 Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication or in such other manner as the members may agree.

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4.3.2 Where appropriate or required, the financial controller, other directors, head of internal audit (if any), relevant senior management, persons(s) invited by a Committee member and representative(s) of the external auditor may attend meetings of the Committee.

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4.4 Notice of meetings

4.4.1 A meeting of the Committee may be convened by any of its members or by the Company Secretary.

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4.4.2 Unless otherwise agreed by all the members of the Committee, notice of at least 14 days shall be given for a regular meeting of the Committee. For all other meetings of the Committee, reasonable notice shall be given.

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4.4.3 Agenda and accompanying supporting papers shall be sent, in full, to all members of the Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

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4.4.4 Any member of the Committee shall be entitled, by notice to the Company Secretary, to include other matters relevant to the functions of the Committee in the agenda of a Committee meeting.

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4.5 Minutes of meetings 6«[L«!

4.5.1 The secretary of a Committee meeting shall record in sufficient detail the matters considered by the Committee and decisions reached, including the names of those present and in attendance and any concerns raised by any member of the Committee and/or dissenting views expressed.

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4.5.2 Draft and final versions of minutes of a Committee meeting shall be sent to all Committee members for their comment and records respectively, within a reasonable time after the meeting is held. Once the minutes are signed, the Company Secretary shall circulate the same to the Board members.

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5.2 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

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5.3 Without prejudice to any requirement under the CG Code, the duties of the Committee include the following:

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5.3.1 Relationship with the Company's auditor

(a) To act as the key representative body for overseeing the Company's relations with the external auditor, and 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 to consider any questions of its resignation or dismissal.

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(b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences, and to ensure co-ordination where more than one audit firm is involved.

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(c) 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.

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5.3.2 Review of financial information

(d) To monitor integrity of the Company financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

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(i) any changes in accounting policies and practices;
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(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;
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(v) compliance with accounting standards; and
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(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.
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(e) Regarding (d) above:
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(i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with

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(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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.

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5.3.3 Oversight of the Company s financial reporting system and internal control procedures 到 採

(f) To review the Company s financial controls, internal control and risk management systems.

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(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 the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company s accounting and financial reporting function.

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(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.

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(i) Where an internal audit function exists, to ensure co-ordination between the internal and external auditor, 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.

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(j) To review the group s financial and accounting policies and practices.

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(k) 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.

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(l) To ensure that the Board will provide a timely response to the issues raised in the external auditor s management letter.

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(m) To report to the Board on the matters set out herein and, in particular, the matters required to be performed by the Committee under the CG Code.

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(n) To consider other topics, as defined by the Board.

(o) To review arrangements employees of the Company can use, in confidence, 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 and for appropriate follow-up action.

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(p) To discuss problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of the management where necessary).

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5.4 The Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice if necessary.

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5.5 All members of the Committee shall have access to the advice and services of the Company Secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

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5.6 In the event that the Committee or any member of the Committee requires access to outside independent professional advice in connection with its/his/her duties, a request may be made to the Board through the Company Secretary. All such -defined

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5.7 Every member of the Committee shall ensure that he/she can give sufficient time and attention to his/her duties as a member of the Committee. He/She shall give the Company the benefit of his/her skills and expertise through regular attendance and active participation.

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6 REPORTING RESPONSIBILITIES

6.1 Where the Board disagrees with the C resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

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6.2 The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

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7 ANNUAL GENERAL MEETING