

# **Audit Committee of the Board of Directors of China Suntien Green Energy Corporation Limited\***

## **Terms of Reference**

### **Chapter 1 General Provisions**

**Article 1** With a view to enhance the decision-making function of the Board of Directors of China Suntien Green Energy Corporation Limited (hereinafter referred to as “Company” or “the Company”), to conduct pre-audit and professional audit, to guarantee the Board of Directors’ efficient supervision towards the Company’s operational management, and to improve the administration structure of Company, we hereby formulate this Terms of Reference based on Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as “Hong Kong Listing Rules”), the Articles of Association of China Suntien Green Energy Corporation Limited (hereinafter referred to as “the Articles of Association”), the Working Statute for the Board of Directors of China Suntien Green Energy Corporation Limited (hereinafter referred to as “Statute of Board of Directors”), as well as other relevant laws, regulations and regulatory documents.

**Article 2** The Audit Committee is a special unit subordinated to the Board of Directors mainly responsible for assisting the Board of Directors to independently review the financial status, internal control and the implementation and results of risk management system in the Company, for issuing the proposal for internal management, and for independently communicating, supervising and verifying with the internal audit department as well as external audit institutions.

### **Chapter 2 Composition of the Committee**

**Article 3** The Audit Committee shall at least consist of three members. All members of the Audit Committee must be non-executive directors, and independent non-executive directors shall be in the majority. One of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

**Article 4** Members of the Audit Committee shall be nominated by the Chairman of the Board together with more than half of the independent non-executive directors or one third of all directors, and be elected by the Board of Directors.

**Article 5** There shall be a Chairman for the Audit Committee, who shall be an independent non-executive director responsible for presiding over the works of the Committee. That independent non-executive director must have appropriate professional qualifications or accounting or related financial management expertise. The appointment and dismissal of the Chairman of the Audit Committee shall be determined by the Board of Directors. The Chairman of the Audit Committee shall exercise the following functions and powers:

- (1) to chair the Committee Meeting;

- (2) to propose and call meetings;
- (3) to lead the Audit Committee and make sure that it operates and performs its responsibilities efficiently;
- (4) to ensure every resolution discussed by the Audit Committee will come into a clear and definitive conclusion, including agreed, disagreed or to be further discussed after supplementing materials;
- (5) to define the agenda of each Committee Meeting;
- (6) other functions and powers specified by this Terms of Reference.

**Article 6** Members of the Audit Committee shall meet the qualifications as required by relevant Chinese laws, regulations and the Hong Kong Listing Rules.

**Article 7** Members of the Audit Committee share the same term of office with that of the Board of Directors. The members may upon the expiry of their term of office be re-elected to serve a consecutive term. During this period, if members are no longer the Directors of Company or serve an executive position of the Company, or members being independent non-executive directors have lost the independence stipulated in the Articles of Association and Hong Kong Listing Rules, they will automatically lose the qualification for being a Committee member. Then, the Board of Directors shall fill their vacancy according to Articles 4 and 5 in this Terms of Reference, and the supplementary member's term of office shall end by the expiry of term of office for his/her serving as Director.

**Article 8** As the supporting and contacting department for the Audit Committee, the Audit Department of the Company is responsible for the daily communication and organization of Committee meetings.

**Article 9** The members of the supporting and contacting department may attend the Committee meeting when required by the Audit Committee. If necessary, the Committee can also invite directors, supervisors, Senior Management and persons in charge of relevant departments to attend the Audit Committee meeting.

**Article 10** A former partner of the Company's existing auditing firm shall not act as a member of its audit committee for a period of 2 years from 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 later.

### **Chapter 3 Duties and Responsibilities of the Committee**

**Article 11** The Audit Committee shall exercise the following functions and powers:

- (1) to review the major financial objective, supervise the implementation of financial and accounting rules and regulations, supervise the financial work, review and analyze the financial and accounting policy and practice of the Company and its subsidiaries;
- (2) to review and analyze the financial supervision, risk control, internal supervision system and major control objective; discuss risk management and internal control system with the management to make sure that management has performed its duty to have an effective internal control system, discussions shall include the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; monitor the soundness, applicability and effectiveness of execution of the Company's finance, internal and risk control system, guide the Company's risk management; to consider major investigations findings on risk management and internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (3) to work out a policy on collateral management and review the collateral business;
- (4) to review the annual budget and final accounts and supervise the implementation;
- (5) to review the financial analysis and monitor the implementation result of material investment projects, organize the review of the post-evaluation of these material financing projects;
- (6) to review the proposals on profit allocation and loss remedial solutions, and make recommendations;
- (7) to review the Company's annual internal audit working plan;
- (8) to monitor the internal audit system and its implementation, make recommendations on the setting up of internal audit system as well as the appointment and removal of person in charge of the audit institutions;

- (9) to make recommendations on the appointment, re-appointment or dismissal of the external audit institutions to the Board of Directors, and to investigate and to approve their remuneration and terms of engagement, and any questions of its resignation or dismissal;
- (10) to help facilitate communication and coordination between the internal audit department and external audit institution to ensure that the internal audit department is adequately resourced for operation and adequately maintains its position; and to review and monitor the effectiveness of the internal audit department, and to serve as the major representatives between the Company and the external audit institution; and to oversee the relationships between the Company and external auditors;
- (11) to review the financial information of the Company and its publication, independently review and make recommendations on the integrity of the financial statements, annual and half-year reports and quarterly reports (if proposed to be published), and significant financial reporting judgements contained in these documentations. In reviewing these reports before submission to the Board of Directors, the committee should focus particularly on any changes in accounting policies and practices, major judgment areas, significant adjustments result from audit, the going concern assumptions and any qualifications, compliance with accounting standards, Hong Kong Listing Rules and legal requirements in relation to financial reporting;
- (12) In order to perform the duties as mentioned in item (11) above, members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the auditors and 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 auditors;
- (13) to monitor and review the efficient operation of internal control system. While the employees of the company secretly raise concerns about the improprieties in financial statement, internal control system or other matters, it should ensure that proper arrangements are in place for Company to make a fair and independent investigation of these matters and for appropriate follow up action;
- (14) to study and monitor the independence and objectivity of the external audit institution, and the efficiency of audit procedure according to applicable standards; the Audit Committee shall discuss the nature and scope of audit as well as reporting duty with auditors prior to the audit;
- (15) to formulate and execute the policies for non-audit service provided by external audit institutions. The Audit Committee shall report and make recommendations to the Board of Directors on any actions or improvements that shall be taken;
- (16) to report to the Board of Directors about the work within its scope of responsibility and conduct research on other issues identified by the Board;

- (17) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the about accounting records, financial accounts or systems of control and management's response; to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- (18) to report on the matters set out in the code provisions C.3.3 and C.3.7 in the Appendix 14 of Hong Kong Listing Rules;
- (19) other functions and powers conferred by the Board of Directors.

**Article 12** The Audit Committee shall be responsible to the Board of Directors, and shall submit the resolutions, recommendations and reports of Committee to the Board of Directors for review. The Audit Committee shall coordinate with the Board of Supervisors for supervising and auditing activities.

**Article 13** The Audit Committee is entitled to request the Senior Management of Company to provide full support to its work.

**Article 14** The Senior Management shall fully support the work of the Audit Committee to make sure the information on risk management, operation and finance can be offered to the Committee in time. The Audit Committee is entitled to request the Senior Management to provide timely and comprehensive answers to the questions. The information offered to the Audit Committee should be correct and complete, and the format and quality should be appropriate and sufficient enough for the committee to make decisions accordingly.

**Article 15** The Audit Committee is entitled to investigate the implementation of risk management, internal control, financial information and internal audits as delegated by the Board of Directors or on its own initiative. The investigation methods include but not limit to attending or sitting in on the relevant meetings of the Company and conducting investigation and research within the Company, or requiring the Senior Management or persons in charge of the Company to make verbal or written explanation to the Audit Committee within a specific period.

**Article 16** After being authorized by the Board of Directors, the Committee, if necessary, may appoint intermediary institutions for providing professional opinion, and the relevant costs shall be borne by the Company.

#### **Chapter 4 Decision-making Procedure of the Committee**

**Article 17** The Audit Committee is entitled to act within its responsibility scope, and ask for the necessary information from various departments and branches subordinated to the Company or the subsidiaries and associates of the Company. The supporting and contacting department shall be well-prepared for decision-making of Audit Committee, and shall collect and provide the written auditing materials to the Company, which including but not limited to:

- (1) financial reports of Company;

- (2) working report from internal and external audit institutes;
- (3) external audit contract and relevant working reports;
- (4) information about the disclosure by the Company;
- (5) audit reports about the material connected transactions;
- (6) other relevant information.

**Article 18** The reports provided by the auditing department shall be evaluated at the Audit Committee Meeting, and the related written resolutions and information shall be submitted to the Board of Directors for discussion.

## **Chapter 5 Proceedings of the Committee Meeting**

**Article 19** Three working days prior to the Meeting of Audit Committee, the Office of Board of Directors shall notify all members and prepare sufficient meeting materials. Once agreed by all of members, the foresaid notice period may be exempted. The Meeting shall be chaired by the Chairman of Committee or an independent non-executive director entrusted by the Chairman of Committee in case of his/her absence.

**Article 20** The Audit Committee can invite the external auditing institution to attend the meeting and communicate with them at the meeting.

**Article 21** The notice of Meeting shall include:

- (1) venue, date, time and form of the Meeting;
- (2) agenda, issues for discussion and related information of the Meeting;
- (3) date of issuing the notice.

**Article 22** The Meeting notice can be served by personal delivery, fax, registered mail or other methods specified by the Articles of Association.

**Article 23** Members of the Committee shall attend the Meeting in person.

**Article 24** The Audit Committee Meeting shall be held only in the presence of more than two thirds of the members. Each member has one vote. A resolution adopted by the Meeting requires affirmative votes by a majority of all members.

**Article 25** Directors may attend the Audit Committee Meeting by means of video, telephone or similar communication devices, as long as such devices enable clear communication among all persons attending the meeting, and such directors shall be deemed to have attended the meeting in person.

**Article 26** Members attending the Audit Committee Meeting could vote by show of hands, poll and voice vote. For directors who participate in the meeting by means of video, telephone or similar communication devices and vote by hands, their voice vote shall be deemed to be valid, but they must perform the written signature procedure as soon as they can and send the voting original to the Company after the meeting. Voice vote shall be of the same effect with written signature, but the content of the subsequent written vote must be identical to that of the voice vote given at the meeting. If voting by poll, members can fax or send by E-mail enclosure in the form of PDF for voting. After the meeting, they shall send the original of the fax or E-mail enclosure in the form of PDF to the Company.

**Article 27** Written resolution signed by all members shall be deemed as valid and effective as if it had been passed at a legally-convened Committee Meeting. Such written resolutions may consist of several counterparts, each signed by one or more than one member(s). The resolution can be signed and transmitted by fax or other e-communication methods.

**Article 28** The minutes of Audit Committee Meeting shall be recorded by personnel appointed by the supporting and contacting department. Minutes shall have detailed records on the matters reviewed and the decisions made in the meeting, including any concerns raised by the members and different views expressed by the members. The members attending the meeting shall sign on the minutes. As an important document for Company, the meeting minutes shall be kept by the Secretary of Board of Directors according to the file management system of Company. The first and final draft shall be sent to all members within a reasonable period after the meeting, the first draft will be used by them for expressing their opinions while the final draft are for records. Upon reasonable request by any director, such minutes shall be provided to the director for review within a reasonable period of time.

**Article 29** The resolutions and voting results approved at the Audit Committee shall be reported to the Board of Directors of Company in written form.

**Article 30** The convening procedure, voting method adopted and the resolutions passed at the Audit Committee Meeting must comply with the relevant laws and regulations, provisions of the Articles of Association and this Terms of Reference.

**Article 31** All personnel attending in the meeting shall be obliged to keep confidential any of the issues discussed at the meeting, and shall not disclose any relevant information without authorization.

## **Chapter 6 Coordination and Communication**

**Article 32** The Audit Committee shall designate the Chairman or an authorized member, or the supporting and contracting department to report to the Board of Directors regarding its works, or make a special report against a specific issue.

**Article 33** The written report submitted to Board of Directors by the Audit Committee shall be signed and issued by the Chairman or an authorized member and then submitted to the Board of Directors through the Secretary of the Board of the Directors.



**Article 34** During the adjournment of the Audit Committee, for any significant or special items, the Senior Management of the Company can submit a written report to the Audit Committee through the Secretary of the Board of Directors and suggest the Audit Committee to convene a meeting for discussion.

## **Chapter 7 Annex**

**Article 35** For issues not covered in this Terms of Reference, or in the event of conflicts between the provisions herein and laws and regulations, provisions of Hong Kong Listing Rules or the Articles of Association issued or modified after the effective date of this Terms of Reference, the laws, regulations, provisions of Hong Kong Listing Rules or the Articles of Association shall prevail.

**Article 36** Unless otherwise specified, the terms used in this Terms of Reference shall bear the same meaning as that in the Articles of Association.

**Article 37** This functions and powers of the Committee shall be, from time to time, updated and modified according to the provisions of relevant laws and regulations, Hong Kong Listing Rules and the Articles of Association.

**Article 38** Staff of the office of the Board of Directors of the Company shall be familiar with the relevant requirements of the Terms of Reference.

**Article 39** This document is commercially confidential. The Company is entitled to exercise all rights with regard to this document; it is prohibited to transmit, copy, extract or cite content from the document without written permission of the Company.

**Article 40** Right to final interpretation of this Terms of Reference shall belong to the Board of Directors of the Company. This Terms of Reference and its modifications shall come into force from the date when the resolution of Board of Directors has been passed.

*\* For identification purpose only*

*These terms of reference are prepared in Chinese. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.*