

# **China Suntien Green Energy Corporation Limited\***

## **Terms of Reference for the Audit Committee of the Board of Directors**

### **Chapter 1 General Provisions**

**Article 1** In order to enhance the decision-making function of the Board of Directors of China Suntien Green Energy Corporation Limited (hereinafter referred to as the “Company”), conduct pre-audit and professional audit, ensure the effective supervision over the business management by the Board of Director, and improve the corporate governance structure of the Company, these Terms of Reference are formulated in accordance with the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”) and other relevant laws, regulations and regulatory documents, as well as the provisions of the Articles of Association of China Suntien Green Energy Corporation Limited (hereinafter referred to as the “Articles of Association”) and the Rules of Procedure of the Board of Directors of China Suntien Green Energy Corporation Limited.

**Article 2** The Audit Committee is a special operating committee under the Board of Directors, and its primary functions are to assist the Board of Directors in independently reviewing the financial position of the Company, the implementation and effects of its internal control and risk management systems, issue the proposal for internal management, and conduct independent communication, supervision and verification with the internal audit department and external auditors.

**Article 3** The Audit Committee shall be accountable, and report to, the Board of Directors, and its proposals shall be submitted to the Board of Directors for consideration and decision.

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

**Article 4** The Audit Committee shall at least consist of three members, all of whom shall be non-executive directors, and the majority of whom shall be independent directors. In particular, at least one of the independent directors must have appropriate professional qualifications required by the listing rules of the place where the shares of the Company are listed or appropriate accounting or related financial management expertise.

**Article 5** Members of the Audit Committee shall be nominated by the chairman of the Board of Directors, more than half of the independent directors or one-third of all directors, and shall be elected by the Board of Directors.

**Article 6** The Audit Committee shall have a chairman to be served by an independent director, who shall preside over the work of the Committee. The chairman of the Audit Committee shall be an accounting professional. The appointment and dismissal of the chairman of the Audit Committee shall be decided by the Board of Directors. The chairman of the Audit Committee shall have the following primary functions and powers:

- (1) to preside over meetings of the Committee;
- (2) to propose and convene meetings of the Committee, and where the chairman fails to perform his/her duties, an independent director who is also a member of the Committee shall be designated to perform his/her duties on his/her behalf;
- (3) to lead the Audit Committee and ensure that the Committee operates and performs its duties and responsibilities efficiently;
- (4) to ensure every proposal discussed by the Audit Committee reaches a clear and definitive conclusion, including whether the proposal is approved, not approved or to be further discussed after supplemental materials are provided;
- (5) to define the agenda for each meeting of the Committee;
- (6) any other functions and powers specified by these Terms of Reference.

**Article 7** Members of the Audit Committee shall meet the qualifications required by the relevant PRC laws, regulations and the listing rules of the place where the shares of the Company are listed.

**Article 8** The Audit Committee shall have the same term of office as that of the Board of Directors. Members of the Committee may, upon the expiry of their term of office, be re-appointed for consecutive terms if re-elected. During his/her term of office, if any member ceases to be a director of Company or serves an executive position of the Company, or a member who shall be an independent director ceases to be independent as required by the Articles of Association and the listing rules of the place where the shares of the Company are listed, such member shall automatically lose the qualification for being a Committee member. The Board of Directors shall fill the vacancy according to Article 5 above, and the term of office of the supplementary members shall end with the term of the current Board of Directors. Any member of the Audit Committee may submit his/her resignation to the Board of Directors prior to the expiry of his/her term of office, in which he/she shall set out the imperative reasons for his/her resignation and matters to which the Board of Directors shall pay attention. Changes may be made to the members of the Audit Committee during their terms of office upon being proposed by the chairman of the Board of Directors and approved by the Board of Directors after its discussion.

**Article 9** The Company shall provide the Audit Committee with sufficient resources to perform its duties. The office of the Board of Directors of the Company is the supporting and liaison department for the Audit Committee and shall be responsible for the daily communication and organization of the Committee meetings.

**Article 10** At the request of the Audit Committee, staff members of the supporting and liaison department may attend meetings of the Committee without voting rights. Where necessary, the Committee may also invite directors, supervisors, senior management or persons in charge of relevant departments of the Company to attend meetings of the Audit Committee without voting rights.

**Article 11** A former partner of the Company's existing auditing firm shall not act as a member of the Audit Committee of the Company for a period of 2 years from the date of his/her 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 12** The Audit Committee shall have the following primary duties and responsibilities:

- (1) to review major financial control objective, supervise the implementation of financial and accounting rules and regulations, give guidance on the financial work of the Company, review and consider the financial and accounting policy and practice of the Company and its subsidiaries;
- (2) to review and consider the financial control, risk management, internal control system and major control objective; discuss risk management and internal control systems with the management to make sure that the management has performed its duty to establish an effective internal control system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; monitor the soundness, reasonableness and effectiveness of implementation of the Company's financial, internal control and risk internal control systems, guide the Company's risk management; and consider major investigation findings on risk management and internal control matters as delegated by the Board of Directors 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 thereof;
- (5) to review the financial analysis on major investment projects, and monitor the implementation result of investment projects, and organize the review of the post-evaluation of major investment and financing projects;
- (6) to review the proposals on profit distribution and loss recovery, and make recommendations in respect thereof;

- (7) to review the work plan of the Company on annual internal audit;
- (8) to monitor the internal audit system of the Company and its implementation, make recommendations on the establishment of an internal audit system of the Company as well as the appointment and removal of person in charge of its auditors;
- (9) to make recommendations to the Board of Directors on the appointment, re-appointment or dismissal of the external auditors, investigate and approve their remuneration and terms of engagement, and deal with any questions regarding their resignation or dismissal;
- (10) to ensure the communication and coordination between the internal audit department and external auditors, ensure that the internal audit department is adequately resourced for operation and has appropriate standing, and review and monitor the effective operation of the internal audit department; and serve as the major representative between the Company and the external auditors, and oversee the relationships between the Company and external auditors;
- (11) to review the financial information of the Company and its disclosure, independently review and make recommendations on the integrity of the financial statements, annual and half-year reports and (if proposed to be published) quarterly reports, and significant financial reporting judgements contained in them. In reviewing these statements and reports before submission to the Board of Directors, the Committee shall focus particularly on any changes in accounting policies and practices, major judgment areas, significant adjustments resulting from the audit, the going concern assumption and any qualified opinions, compliance with accounting standards and the listing rules of the place where the shares of the Company are listed in relation to financial reporting;
- (12) in order to perform the duties mentioned in item (11) above, the Committee shall liaise with the Board of Directors and senior management and meet, at least twice a year, with the external auditors of the Company; and shall consider any significant or unusual items that are reflected in the reports and statements. It shall also give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial function, compliance officer or auditors;
- (13) to monitor and review the efficient operation of internal control system of the Company. If employees of the Company secretly raise concerns about the improprieties in financial statements, internal control system or other matters, it shall ensure that proper arrangements are in place for the 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 auditors, and the effectiveness of the audit procedure according to applicable standards; the Audit Committee shall discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

- (15) to formulate and implement the policies for non-audit services provided by external auditors. 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 of Directors;
- (17) to review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or internal control system and management's response; and to ensure that the Board of Directors will provide a timely response to the issues raised in the above external auditor's management letter;
- (18) to report on the relevant matters set out in the code provisions C.3.3 and C.3.7 in the Appendix 14 of Hong Kong Listing Rules;
- (19) any other functions and powers conferred by the Board of Directors.

**Article 13** The Audit Committee shall be accountable to the Board of Directors, and shall submit its resolutions, recommendations and reports to the Board of Directors for review. The Audit Committee shall coordinate with the supervisory committee for its supervisory and audit activities.

**Article 14** The Audit Committee shall be entitled to request the senior management of the Company to provide full support to its work.

**Article 15** The senior management shall fully support the work of the Audit Committee to ensure that the information of the Company on risk management, operation and finance can be offered to the Committee in time. The Audit Committee shall be entitled to request the senior management of the Company to provide timely and comprehensive answers to the questions raised by it. The information offered to the Audit Committee shall be accurate and complete, and its format and quality shall be appropriate and sufficient to allow the Committee to make decisions accordingly.

**Article 16** The Audit Committee shall be entitled to investigate the implementation of risk management, internal control, financial information and internal audits, etc. as delegated by the Board of Directors or on its own initiative. The investigation or review 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 17** After being authorized by the Board of Directors, the Committee may, if necessary, appoint intermediaries to provide professional advice for its decision, and any reasonable expenses in connection therewith shall be borne by the Company.

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

**Article 18** The Audit Committee shall be entitled to carry out any activities within its term of reference, and obtain any information required by it from various departments, branches, subsidiaries and associates of the Company. The supporting and liaison department shall make preliminary preparation for decision-making of the Audit Committee, and shall collect and provide the written information of the Company with respect to audit, including but not limited to:

- (1) the relevant financial reports of Company;
- (2) the work report from internal and external auditors;
- (3) the external audit contracts and relevant work reports;
- (4) the disclosure of information by the Company to the external parties;
- (5) the audit reports on major connected transactions of the Company;
- (6) other relevant information.

**Article 19** The reports provided by the audit department shall be evaluated by the Audit Committee at its 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 20** The office of Board of Directors shall notify all members of the Committee of an Audit Committee meeting three days prior to the meeting, and shall provide sufficient meeting materials. However, the above notice period may be exempted with the unanimous consent of all members of the Committee. The meeting shall be chaired by the chairman of the Committee, or by another member (who is an independent director) authorized by the chairman of the Committee in the case of his/her absence.

If any one of the following circumstances occurs, the chairman of the Committee shall convene an extraordinary meeting within 5 days from the date of occurrence:

- (1) when it is proposed by the Board of Directors;
- (2) when it is proposed by the chairman of the Audit Committee;
- (3) when it is proposed by more than half of members of the Committee.

The office of the Board of Directors shall deliver the notice of the extraordinary meeting and relevant meeting information to all members of the Committee one day before the convening of such meeting in accordance with the instructions from the chairman of the Audit Committee. However, the above notice period may be exempted with the unanimous consent of all members of the Committee.

**Article 21** The Audit Committee may invite the external auditors to attend the meeting without voting rights and communicate with them at the meeting.

**Article 22** The notice of the meeting shall include:

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

**Article 23** The notice of the meeting may be served by personal delivery, fax, registered mail or other methods specified by the Articles of Association.

**Article 24** Members of the Audit Committee shall attend the meeting in person.

**Article 25** A meeting of the Audit Committee shall be held only in the presence of two-thirds or more of the members. Each member has one vote. A resolution adopted by the meeting requires affirmative votes by a majority of all members.

**Article 26** A meeting of the Audit Committee may be held by means of video, telephone or similar communication devices. As long as such devices enable clear communication and exchange of opinions throughout the meeting among all directors attending the meeting, such directors shall be deemed to have attended the meeting in person.

**Article 27** Members attending the Audit Committee meeting can 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 possible and send the voting original to the Company after the meeting. Voice vote shall be of the same effect as a 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 vote by fax or e-mail enclosing the vote in PDF format. After the meeting, they shall send the original of the fax or e-mail enclosing the vote in PDF format to the Company.

**Article 28** Written resolution signed and agreed by all members of the Committee 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 documents in counterparts, each signed by one or more member(s) of the Committee. The resolution can be signed and transmitted by fax or other means of electronic communication.

**Article 29** Minutes shall be taken for the Audit Committee meeting and recorded by specific personnel assigned by the supporting and liaison department. Minutes shall have detailed records on the matters reviewed and the decisions made in the meeting, including any concerns raised by all members and different views expressed by them. The members attending the meeting shall sign on the minutes. As an important document of the Company, the minutes shall be kept by the secretary of the Board of Directors according to the file management system of the Company. The first and final drafts of the minutes shall be sent to all members within a reasonable period of time after the meeting, and the first draft will be used by them for expressing their opinions while the final draft are for records. If a reasonable notice is given by any director, such minutes shall be made available to the director for inspection within a reasonable period of time.

**Article 30** The proposals duly passed at meetings of the Audit Committee and the voting results thereof shall be reported to the Board of Directors of the Company in writing.

**Article 31** The convening procedure, voting method adopted and the proposals passed at meetings of the Audit Committee must be in compliance with the relevant laws, regulations and provisions of the Articles of Association and these Terms of Reference.

**Article 32** The members attending the meeting shall be obliged to keep confidential any of the matters discussed at the meeting, and shall not disclose any relevant information without authorization.

## **Chapter 6 Coordination and Communication**

**Article 33** The chairman or a member of the Audit Committee authorized by him/her, or the supporting and liaison department shall report the work of the Committee since the last regular Board meeting to the Board of Directors, or make a special report on a specific issue.

**Article 34** Any written reports submitted to the Board of Directors by the Audit Committee shall be signed and approved by the chairman of the Committee or a member authorized by him/her, and shall be submitted to the Board of Directors through the secretary of the Board of Directors.

**Article 35** In the event that the senior management of the Company has any significant or special matter when the Audit Committee is in recess, the senior management can submit a written report to the Audit Committee through the secretary of the Board of Directors and may recommend the chairman of the Audit Committee to convene a meeting for discussion.

## **Chapter 7 Supplementary Provisions**

**Article 36** Any matters not covered in these Terms of Reference, or any conflicts of these Terms of Reference with the laws, regulations and provisions of the listing rules of the place where the shares of the Company are listed or the Articles of Association issued or modified after the effective date of these Terms of Reference, shall be handled in accordance with the laws, regulations, and provisions of the listing rules of the place where the shares of the Company are listed and the Articles of Association.



**Article 37** Unless otherwise specified, the terms used in these Terms of Reference shall bear the same meaning as those in the Articles of Association.

**Article 38** The terms of reference of the Committee shall be updated and modified from time to time according to the relevant laws, regulations and provisions of the listing rules of the place where the shares of the Company are listed and the Articles of Association.

**Article 39** The interpretation and amendment of these Terms of Reference shall be vested in the Board of Directors of the Company.

**Article 40** Staff members of the office of the Board of Directors of the Company shall be familiar with the relevant requirements of these Terms of Reference.

**Article 41** This document is a core business secret. The Company shall be entitled to exercise all rights with regard to this document; it is prohibited to transmit, copy, extract or cite any content from the document without written permission of the Company.

**Article 42** These Terms of Reference and its amendments are considered and approved by the Board of Directors and shall be effective and implemented from the date of the initial public offering and listing of RMB ordinary shares (A shares) of the Company. The original Working Rules of the Audit Committee of the Board of Directors of China Suntien Green Energy Corporation Limited shall be abolished simultaneously.

(Version information: These Terms of Reference were formulated and released on 19 September 2010. Due to the amendment to the listing rules of the place where the shares of the Company are listed, the first amendment to these Term of Reference was made on 30 March 2012 and the second amendment to these Term of Reference was made on 17 December 2015, respectively. The third amendment to these Terms of Reference is hereby made in accordance with the listing rules of the place where the shares of the Company are listed, and these Terms of Reference shall be effective and implemented from the date of the initial public offering and listing of RMB ordinary shares (A shares) of the Company.)

\* *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.*