



CGN NEW ENERGY HOLDINGS CO., LTD.

中國廣核新能源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1811)

(the “Company”)

Terms of Reference of the Audit Committee

1. MEMBERSHIP

- (a) The Audit Committee (the “**Committee**”) shall be appointed by the Board of directors (the “**Board**”) from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of which should be independent non-executive directors (“**INEDs**”). At least one member must be an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The constitution of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.
- (b) The Chairman of the Committee shall be an INED appointed by the Board.
- (c) A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing:
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm,whichever is later.

- (d) Members of the Committee shall be appointed and removed by the Board. The term of the members of the Committee is the same as that of directors and the members may be re-elected upon the expiry of the current term. During the term, if any member of the Committee ceases to hold office as a director or an INED of the Company, he/she shall automatically lose the qualification as a member of the Committee. In this case, the Board shall appoint another member promptly to meet the quorum of the Committee according to the aforesaid provisions.
- (e) The secretary of the Committee shall be appointed by the Committee.

2. ATTENDANCE AT MEETINGS

- (a) The quorum of a meeting of the Committee shall be two thirds of the members of the Committee, of which at least half of them should be INEDs. The chairman (or in his or her absence, a member designated by the chairman) shall preside over all meetings of the Committee. The chairman shall be responsible for leading the Committee, including scheduling meetings, preparing agendas and making regular reports to the Board. The chairman of the Committee shall not chair a Committee meeting which deals with the succession to the chairmanship. If for any reason a member of the Committee is unable to attend a meeting, he/she may entrust in writing another member of the Committee to exercise his/her power. Resolutions of the Committee shall be valid when passed by more than two-thirds of the members. The meetings and proceedings of the Committee shall be governed by the provisions of the bye-law 118 of the bye-laws of the Company.
- (b) The Chairman of the Board, the financial controller and internal auditor shall normally attend meetings of the Committee. A representative of the external auditors shall be invited to attend the meetings of the Committee where appropriate. Other staff who have specific responsibility for an area under review may also be invited to attend.
- (c) At all times the chairman of the Board shall be notified in advance of all meetings of the Committee.
- (d) Members of the Committee may participate in a meeting of the Committee by means of a conference telephone or other communications equipment through which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

3. FREQUENCY OF MEETINGS

- (a) Meetings of the Committee shall be held not less than twice a year. The external auditors or any members of the Committee may request a meeting if they consider it necessary. Upon the receipt of such request, the secretary of the Committee shall convene a meeting as soon as reasonably practicable and having regard to the convenience of all members with priority given to the INEDs.
- (b) Unless otherwise agreed by all the members of the Committee, a meeting shall only be called with at least 7 days' prior notice.

4. COMMITTEE'S RESOLUTIONS

A resolution in writing signed by all the members of the Committee shall be as valid and effective as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of the Committee. Such resolution may be signed and circulated by facsimile or other forms of electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a meeting of the Board or Committee to be held.

5. AUTHORITIES

- (a) The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or executive director and such persons are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain legal or other independent professional advice and to secure the attendance of other persons with relevant experience and expertise in the meetings of the Committee if it considers this necessary.
- (c) The Committee shall report to the Board any suspected fraud or irregularities, failures of internal control and suspected infringements of any laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- (d) The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on The Hong Kong Stock Exchange Limited's website and the website of the Company.

- (e) Where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditors, 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.
- (f) The Committee shall be provided with sufficient resources to perform its duties.

6. GENERAL RESPONSIBILITIES

- (a) The Committee shall serve as a focal point for communication between other directors, the external auditors and the internal auditors regarding their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- (b) The Committee shall assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the “**Group**”), and as to the adequacy of the internal and external audits.
- (c) The Committee shall fulfil other responsibilities as required by the Listing Rules as amended from time to time.

7. DUTIES

The duties of the Committee include:

Relationship with the Company’s external auditors

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to consider the plan for each year’s audit submitted by the external auditors and discuss the same at a meeting if necessary;

- (c) to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. In this connection, the Committee shall:
 - (i) seek from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
 - (ii) meet the auditors at least annually without the presence of the management to discuss matters relating to the audit fees, any matters arising from the audit and other matters raised by the auditors;
 - (iii) consider all relationships between the Company and the auditors (including non-audit services), conduct annual reviews of all non-audit services performed by the external auditors, the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the external auditors, the criteria which govern the compensation of the individuals performing the audit, and consider whether the external auditors are suitable for providing such non-audit services for the Company and whether the safeguards are in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of non-audit services by the external auditors with respect to the competence and experience of the external auditors; and
 - (iv) review the policies relating to the hiring of employees or the former employees of the external auditors (if any) and monitor the application of such policies and consider whether there has been any impairment or appearance of impairment of the external auditors’ judgment or independence in respect of the audit.
- (d) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (e) 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 financial information of the Company

- (f) to monitor integrity of the financial statements of the Company and the Company's annual reports and accounts, half-year reports 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 shall focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from 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.
- (g) in regard to (f) above:
 - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, internal auditors or external auditors, any major issues, major risks or abnormal situations involving the Company should be reported to the Board;

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

- (h) to review the Company's financial controls and internal control system;
- (i) to discuss the internal control system (including compliance management system) with management to ensure that management has performed its duty to have an effective system. This discussion should include but not limited to the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions;

- (j) 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;
- (k) 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;
- (l) to review the Group's financial and accounting policies and practices;
- (m) 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;
- (n) to ensure that the Board will provides a timely response to the issues raised in the external auditor's management letter;
- (o) to review arrangements which employees of the Company can use, in confidence, to 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 for appropriate follow-up action;
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (q) to review the continuing connected transactions to ensure compliance with the terms approved by shareholders of the Company;
- (r) to establish whistleblowing policies and systems to allow employees and others who have dealings with the Company (such as customers and suppliers) to raise their concerns in secret to the Committee about any possible improper matters regarding the Company;
- (s) to develop and issue internal control measures, and review the measures on a regular basis;
- (t) to report to the Board on the above matters; and
- (u) to consider other topics, as defined by the Board.

8. REPORTING PROCEDURES

- (a) The Committee shall report to the Board. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report the decisions and recommendations of the Committee to the Board.
- (b) Full minutes of meetings of the Committee shall be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings shall be sent to all members of the Committee for their comment and records, within a reasonable time after the meeting.
- (c) Copies of the minutes of meetings of the Committee shall be provided to the Board at its meetings.
- (d) The Committee shall make available at least one of its members to attend the Company's annual general meeting to answer shareholders' questions about audit issues.

9. REVISION OF THESE TERMS OF REFERENCE

These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and regulatory requirements (e.g. the Listing Rules). Any amendment to these terms of reference shall be by way of resolution of the Board of the Company and shall be in full compliance with the Listing Rules and any other regulatory requirements.