

Audit and Risk Committee

Terms of Reference

China Resources Power Holdings Company Limited

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Room 2001-05, 20/F,
China Resources Building
26 Harbour Road, Wanchai,
Hong Kong

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In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Listing Rules") and pursuant to a Board resolution, the Company established an Audit and Risk Committee on 6 October 2003.

1. ROLE

The primary role of the Audit and Risk Committee is to assist the Board in assessing how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. In doing so, it is the responsibility of the Committee to maintain free and open communications between the Committee, the external auditors, the internal audit function and the management of the Company.

2. MEMBERSHIP OF THE COMMITTEE

The Committee will be comprised of at least three non-executive directors, with majority of the members being independent non-executive directors. The Chairman of the Committee should be an independent non-executive director.

3. ADMINISTRATIVE MATTERS

The Committee will meet at least twice a year, or as often as Committee members deem necessary in order to fulfill their role.

The Audit and Risk Committee is authorised by the Board to:

- investigate any activity within its terms of reference with full access to all books, records, facilities and personnel. It is authorised to seek information it requires from any employee and all employees are required to co-operate with any request made by the Audit and Risk Committee; and

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- obtain independent legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary to carry out its duties.

A notice of each meeting shall be forwarded to members of the Committee at least five working days prior to the date of the meeting. The notice will include relevant supporting papers for the agenda items to be reviewed and discussed.

All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any director, provided no conflict of interest exists.

A quorum will comprise any two committee members. In the absence of the Committee Chairman or appointed delegate, the members shall elect one of their number as Chairman for that meeting.

4. RESPONSIBILITIES AND FUNCTION

The responsibilities of the Audit and Risk Committee are as follows:

- to be primarily responsible for making recommendation 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 any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit and Risk Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

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- to develop and implement policy on the engagement of 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 Audit and Risk Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to monitor integrity of the Company’s financial statements, interim and annual reports and accounts and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - any changes in accounting policies and practices;
 - major judgemental areas;
 - significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and
 - compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- Members of the Committee should liaise with the Board, senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
- The Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, 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;

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- to review the Company's financial controls risk management and internal control systems;

- to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- to consider major investigation 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;

- to discuss problems and reservations arising from the interim review and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);

- to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of controls 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;

- to review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;

- to review the internal audit programme and to ensure that the internal audit function is adequately resourced and has independent standing within the Company, and to review and monitor its effectiveness;

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- to ensure co-ordination between the internal and external auditors;

- to report to the Board on the matters set out in the Corporate Governance Code and terms of reference of the Audit and Risk Committee;

- to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit and Risk Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

- to consider other topics, as defined by the Board.

5. REPORTING

The Committee shall provide a report of the actions of the Committee at the next Board meeting.

The Committee Chairman will also, if requested, provide a brief verbal report to the Board as to any material matters arising out of the Committee meeting.

6. REVIEW

The Board will review the membership and terms of reference of the Committee annually.