



## **China Power International Development Limited**

**中國電力國際發展有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 2380)**

### **Terms of Reference of Audit Committee**

(Revised version adopted on 1 January 2019)

#### **Foreword**

The Audit Committee (the “**Committee**”) under the Board of Directors (the “**Board**”) of China Power International Development Limited (the “**Company**”) has amended the membership of the Committee in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for appointing the members of the Committee and adopted the following revised terms of reference of the Committee effective from 1 January 2019.

#### **Authority**

The Committee is authorized by the Board:

- (a) to investigate any activity within its terms of reference;
- (b) to inspect all accounts, books and records of the Company;
- (c) to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee; and
- (d) to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee shall be provided with sufficient resources to discharge its duties.

#### **Responsibilities**

##### **1. Internal audit**

- (a) To communicate with the internal auditor and determine the annual internal audit plan.
- (b) To review the internal audit works with the internal auditor at least on a half-yearly basis. The internal auditor should submit the internal audit reports of the Company and its subsidiaries to the Committee for review.

- (c) To evaluate and monitor the effectiveness of the internal control system, internal audit function and annual audit plan in accordance with the internal control procedures.

## **2. 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 auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.
- (b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit procedures in accordance with the applicable standards. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences. If more than one audit firm are engaged, the Committee should coordinate each party.
- (c) To develop and implement policy on engaging an 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) to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
- (d) To act as the key representative body for overseeing the Company's relations with the external auditor.

## **3. Review of financial information**

- (a) To monitor integrity of the Company's financial statements and annual report and annual accounts, half-year report and quarterly financial summary (or quarterly reports, if the provisions of the Listing Rules or the Company think fit) and to review significant financial reporting judgments contained in them. In reviewing the relevant statements and reports before submission to the Board, the Committee should 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.

- (b) In carrying out the review mentioned in clause 3(a) above, the Committee members:
  - (i) should liaise with the Board, senior management and the qualified accountant of the Company, and must meet, at least twice a year, with the external auditors to discuss the questions and qualified opinions by interim results and annual audit and to discuss any other matters raised by the external auditor (if there is a need to avoid management).
  - (ii) 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, internal control manager or auditors.

#### **4. Oversight of financial reporting system and internal control procedures**

- (a) To review the Company's financial controls and internal control systems.
- (b) 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 adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- (c) 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.
- (d) To report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- (e) To ensure coordination 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.
- (f) To review the financial and accounting policies and practices of the Company and its subsidiaries.
- (g) 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.

- (h) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- (i) To report to the Board on the matters of the Corporate Governance Code and Corporate Governance Report (the "**Code**") (as amended by the Listing Rules from time to time).
- (j) To monitor the whistleblowing policies and channels that enable the Company's employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company, and take proper arrangements to be in place for fair and independent investigation of these matters and for appropriate follow-up action.
- (k) To consider other matters specifically referred to the Committee by the Board.

### **Membership**

The Committee members shall be appointed by the Board from the non-executive directors of the Company. The Committee shall comprise a minimum of three members with independent non-executive directors in majority. In compliance with the requirements under the Listing Rules, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

Any former partner of the Company's existing auditing firm (the "firm") shall be prohibited from acting as a member of the Committee for a cooling-off period, in accordance with the requirements of the relevant Code (as amended by the Listing Rules from time to time) for appointment of such persons as members of the Committee, from the date of the person ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.

Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.

### **Annual General Meeting**

Chairman of the Committee, or in his/her absence, another member of the Committee as invited by the Chairman of the Board, or failing this, his/her duly appointed delegate, shall attend the annual general meeting of the Company and answer questions from shareholders on the Committee's activities and responsibilities.

## **Meetings**

The Committee meetings are divided into regular meetings and ad hoc meetings. There are at least two regular meetings each year. The ad hoc meetings are convened when necessary by the Committee members or the external auditor.

The quorum of the Committee shall be two independent non-executive directors. The meetings are presided over by the chairman of the Committee. If the chairman is unable to attend, may appoint another Committee member (an independent non-executive Director) to preside over the meeting. The Committee meeting should be held only when no less than two-thirds of the Committee members are present, each member has one vote. The resolution adopted in the meeting must be passed by a simple majority of all Committee members.

Meetings are generally attended by the head of internal control department and/or the financial controller of the Company and/or the external auditors, as appropriate. The directors of the Company and other senior management may also be invited to attend the meeting if necessary. Nonetheless, the Committee should convene a meeting with the external auditor and the internal auditor at least twice a year in the absence of the executive directors of the Board.

The company secretary, or in her absence, her delegate, shall act as the secretary to the Committee and must ensure that full minutes are kept of the meetings.