



**CHINA TECHNOLOGY SOLAR POWER HOLDINGS LIMITED**  
**中科光電控股有限公司\***

**Terms of reference of  
the Audit Committee of the Board of Directors**

*\* for identification purposes only*

# **China Technology Solar Power Holdings Limited (“Company”)**

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## **Terms of reference of the Audit Committee (“AC”) of the Board of Directors (“Board”) of the Company**

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### **1. Membership**

- 1.1 The AC shall comprise not less than three members to be appointed by the Board. All members of the AC must be non-executive directors of the Company, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise and the majority of whom should be independent non-executive directors.
- 1.2 The Board shall appoint the chairman of the AC who should be one of the independent non-executive directors sitting on the AC.
- 1.3 Only members of the AC have the right to attend the AC meetings. However, any director, executive or other person may be invited to attend the meetings when the AC considers that their attendance can assist it to discharge its duties.
- 1.4 An AC member may not appoint any alternate.
- 1.5 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the AC for a period of 1 year 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.

### **2. Frequency and proceedings of meetings**

- 2.1 The AC shall meet at least four times a year and at such other times as the chairman of the AC shall require. The external auditors may request a meeting if they consider that one is necessary.
- 2.2 The quorum for meetings of the AC shall be of such a number that the independent non-executive directors shall form the majority in the meeting. A duly convened meeting of the AC at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in the AC.

2.3 AC members may pass resolutions by way of written resolutions, but such must be passed by all AC members in writing.

### **3. Secretary**

3.1 The company secretary of the Company (or a duly appointed secretary of the meeting) shall act as the secretary of the AC.

### **4. Notice of Meetings**

4.1 Meetings of the AC shall be convened by the chairman of the AC. In the absence of the chairman of the AC, the remaining members present shall elect one of them to chair the meeting.

4.2 Unless otherwise agreed, notice of each meeting setting out the venue, time and date together with the agenda of items to be discussed, shall be forwarded to each of the members of the AC and any other person required to attend at least seven working days before the meeting date. Supporting papers shall be sent at least three working days before the meeting.

4.3 Any AC member may or, on the request of a AC member, the secretary to the AC shall, at any time summon a AC meeting. Notice shall be given to each AC member in person orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address from time to time notified to the secretary by such AC member or in such other manner as the AC members may from time to time determine.

4.4 Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.

4.5 The Finance Director, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. However, at least once a year the AC shall meet with the external auditors without executive Board members present.

### **5. Minutes of the Meetings**

5.1 Minutes of the AC meetings shall record in sufficient detail the matters considered in the meetings and decisions reached, including any concerns raised and dissenting views expressed. Draft and final versions of minutes of the meetings should be sent to all AC members for their comment and records within fourteen working days after the meeting and unless there is a conflict of interest, to all other members of the Board for their information.

5.2 The secretary of the AC shall keep the minutes and resolutions passed at the AC meetings and they should be open for inspection at any reasonable time on reasonable notice by any director save when there is a conflict of interest.

## **6. Annual General Meeting**

- 6.1 The chairman of the AC shall attend the Annual General Meeting of the Company and be prepared to respond to shareholders' questions on the activities of the AC.

## **7. Duties**

- 7.1 The AC shall:

- 7.1.1 consider, and make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- 7.1.2 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 7.1.3 discuss with the auditors before the audit commences the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is involved;
- 7.1.4 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 AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 7.1.5 monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgements contained in them;
- 7.1.6 review the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, focusing particularly on:
- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards;

- (f) compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) and legal requirements in relation to financial reporting;
- (g) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Company;
- (h) whether all relevant items have been adequately disclosed in the Company’s financial statements and whether the disclosures give a fair view of the Company’s financial conditions;
- (i) any significant or unusual items that are, or may need to be, reflected in such reports and accounts; and
- (j) the cashflow position of the Company;

and provide advice and comments thereon to the Board;

7.1.7 as regards 7.1.6 above:

- (a) members of the AC should liaise with the Board and senior management and the AC must meet, at least twice a year, with the Company’s auditors; and
- (b) the AC should consider any significant or unusual items that are, or may need to be, reflected in the report 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;

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

7.1.9 review the Company’s financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, review the Company’s risk management and internal control systems;

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

7.1.11 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;

- 7.1.12 (where an internal audit function exists) review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor, its effectiveness;
- 7.1.13 prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Company's interim and annual reports;
- 7.1.14 consider the appointment of any person to be a AC member, a company secretary, auditors and accounting staff either to fill a casual vacancy or as an additional AC member, company secretary, auditors and accounting staff or dismissal of any of them;
- 7.1.15 consider the major findings of internal investigations and management's response;
- 7.1.16 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 control and management's response;
- 7.1.17 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 7.1.18 to report to the Board on the matters set out in C.3.1 to C.3.7 of the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules;
- 7.1.19 consider other topics, as defined or assigned by the Board from time to time;
- 7.1.20 review the financial and accounting of the Company and its subsidiaries; of the Company and its subsidiaries;
- 7.1.21 review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- 7.1.22 ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 7.1.23 act as the key representative body for overseeing the Company's relations with the external auditor.

## **8. Reporting Responsibilities**

- 8.1 The AC chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

- 8.2 The AC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The AC shall provide to the Board all the information set out in paragraph L of Appendix 15 to the GEM Listing Rules, to enable the Company to prepare the corporate governance report in its annual report in compliance with such Appendix 15.

## **9. Authority**

- 9.1 The AC is authorised to investigate any activity within its terms of reference. The AC is also authorised to seek any information it reasonably requires from any employee of the Company in order to perform its duties.
- 9.2 The AC may obtain, at the expense of the Company, legal or other professional advice on any matters within its terms of reference.
- 9.3 The AC should be provided with sufficient resources to perform its duties.

## **10. Other**

- 10.1 The AC shall review annually its terms of reference, performance and constitution and recommend any changes it considers necessary to the Board for approval.

March 2016