



順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01165)**

**(the “Company”)**

**(Adopted as of 23 May 2011 and revised as of 30 December 2015 and 14 December 2018)**

## **TERMS OF REFERENCE FOR AUDIT COMMITTEE**

### **1. PURPOSE**

The purpose of the audit committee of the Company (the “**Committee**”) is to assist the board of directors of the Company (the “**Board**”) to establish formal and transparent arrangements to consider how the Board will apply financial reporting and internal control principles and maintain an appropriate relationship with the external auditors of the Company.

### **2. MEMBERSHIP**

2.1 Members of the Committee shall be appointed by the Board. The Committee shall consist of not less than three members (the “**Members**” and each, a “**Member**”) from amongst the nonexecutive directors and independent non-executive directors of the Company, of whom the majority shall be independent non-executive directors. At least one Member, who is also an independent non-executive director, shall have appropriate professional qualifications or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as modified from time to time (the “**Listing Rules**”).

2.2 The chairman of the Committee shall be appointed by the Board amongst the independent non-executive directors.

2.3 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 his ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm,

whichever is later.

- 2.4 The Board shall from time to time vary the composition of the Committee as may be required by the Listing Rules, or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time.
- 2.5 Subject to the Listing Rules, or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time, the Board may appoint and remove Members in accordance with the Articles of Association of the Company (“**Articles of Association**”). Members shall serve on the Committee for such terms as the Board may fix, and in any case at the Board’s will, whether or not a specific term is fixed. The Board may remove Members at its sole discretion.

### **3. MEETINGS**

#### **3.1 Frequency**

The Committee shall meet as often as it determines necessary, but not less than twice a year. Any Member, or the Secretary (as defined below) on requisition of any Member may call a meeting of the Committee. The external auditors may request a meeting of the Committee if they consider that one is necessary.

#### **3.2 Notice**

Notice of any meetings of the Committee has to be given to all Members prior to such meeting being held in accordance with the Articles of Association. Notice of a meeting of the Committee shall be deemed to be duly given to a Member if it is given to such Member in writing or verbally (including in person or by telephone) or via electronic mail or by telephone or in such other manner as the Board may from time to time determine.

#### **3.3 Quorum**

The quorum for decisions of the Committee shall be any two Members, of whom one has to be an independent non-executive director of the Company.

#### **3.4 Resolutions**

Resolutions of the Committee shall be passed by a majority of votes, or by way of written resolutions signed by all of the Members in accordance with the Articles of Association. In the case of any equality of votes, the Chairman shall have an additional or casting vote. Members may participate in any meeting of the Board by means of a conference telephone, video conference or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.

### **3.5 Secretary**

The company secretary of the Company shall be the secretary of the Committee (the “Secretary”).

### **3.6 Minutes**

Full minutes of the Committee meetings shall be kept by the Secretary. Draft and final versions of minutes of meetings shall be sent to all Members for their comments and records, within a reasonable time after the meeting.

### **3.7 Attendance**

The Secretary and the chief financial officer of the Company shall normally attend meetings of the Committee. Other Board members shall also have the right of attendance. The Committee must meet the auditors of the Company not less than twice a year and where necessary, a representative of the external auditors of the Company will be required to attend the meeting of the Committee.

### **3.8 Procedures**

The Committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with these terms of reference (“**these Terms**”), resolutions of the Board, the Articles of Association of the Company and other corporate governance documents, the Listing Rules and applicable laws or regulations.

## **4. DUTIES**

The duties of the Committee shall include the following:

### **Relationship with the Company’s auditors**

- 4.1 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 auditors, and any questions of its resignation or dismissal.
- 4.2 To review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.
- 4.3 To discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences.

4.4 To develop and implement policy on engaging an external auditors to supply non-audit services.

*Note:* For this purpose, external auditors 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.

4.5 To report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

4.6 To act as the key representative body for overseeing the Company's relations with the external auditors.

### **Review of the Company's financial information**

4.7 To monitor the integrity of the Company's financial statements and annual report and accounts, half-year report 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 should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from the 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;

4.8 Regarding 4.7 above:

(i) Members 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 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, compliance officer or auditors.

## **Oversight of the Company's financial reporting system, internal control procedures and risk management systems**

- 4.9 To review the Company's financial controls, internal control and risk management systems.
- 4.10 To discuss the internal control system and risk management systems with management to ensure that management has performed its duty to have an effective internal control system and risk management 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.
- 4.11 To consider major investigation findings on internal control and risk management matters as delegated by the Board or on its own initiative and management's response to these findings.
- 4.12 Where an internal audit function and risk management exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit and risk management function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.
- 4.13 To review the financial and accounting policies and practices of the Company and its subsidiaries.
- 4.14 To review the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response.
- 4.15 To ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- 4.16 To report to the Board on the matters set out under the heading "C.3 Audit Committee — Code Provisions" in Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report) (the "**CG Code**").
- 4.17 To consider other topics, as defined by the Board.
- 4.18 To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control, risk management or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

4.19 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in its Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

## **5. AUTHORITY**

5.1 The Committee is authorised by the Board:

- (a) To investigate any activity within its terms of reference;
- (b) To seek any information it requires from any employee of the Company, and all employees of the Company are directed to co-operate with any request made by the Committee;
- (c) To obtain advices from outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (d) To meet separately with, and have direct, independent and confidential access to, management (including the chief financial officer of the Company), the internal auditors (or other personnel responsible for the internal audit and risk management function) and external auditors of the Company, or any other persons as it deems necessary or appropriate in carrying out its duties.

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

## **6. REPORTS**

6.1 The Committee shall report directly to the Board on the following matters on the major items covered by the Committee at each meeting of the Committee, unless there are legal or regulatory restrictions on the Committee's ability to do so (such as a restriction on disclosure due to regulatory requirements), and provide additional reports to the Board as the Committee may determine to be appropriate, including review with the Board of any issues that arise from time to time with respect to the quality or integrity of the Company's financial statements, the performance and independence of the external auditors or the performance of the internal audit and risk management function.

6.2 The Committee shall prepare a report on the work performed by it during the year in discharging its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results and internal control system, and its other duties set out in the CG Code, for inclusion in the Company's report on corporate governance prepared by the Board from time to time in accordance with the requirements of the Listing Rules.

## **7. ANNUAL GENERAL MEETINGS**

7.1 The chairman of the Committee (or in his absence, his duly appointed delegate) shall attend the Company's annual general meetings and be prepared to respond to questions at the annual general meeting on the Committee's activities.

## **8. TERMS AVAILABLE**

8.1 The Committee should make available these Terms, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange of Hong Kong Limited's website and the Company's website.

## **9. CONFLICT**

9.1 If these Terms conflict with the Listing Rules (as amended from time to time), implementation shall be in accordance with the Listing Rules, and these Terms shall be amended and presented to the Board for consideration and adoption as soon as practicable.

*Note:* If there is any inconsistency between the English and Chinese versions of these Terms, the English version shall prevail.