



中國廣核電力股份有限公司
CGN Power Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1816)

**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE
UNDER THE BOARD OF DIRECTORS
(Effective upon approval by the Board of Directors on November 5, 2015)**

Chapter 1 General Provisions

Article 1 These terms of reference (these “Terms”) are formulated by CGN Power Co., Ltd. (the “Company”) for the audit committee (the “Committee”) under its board of directors (the “Board”) in accordance with the Articles of Association of CGN Power Co., Ltd. (the “Articles”), the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, A Guide for Effective Audit Committees published by Hong Kong Institute of Certified Public Accountants and other relevant regulations in order to set down the composition, responsibilities and rules of procedure of the Committee.

Article 2 The Committee is an internal committee specifically established by and is responsible to the Board.

Chapter 2 Composition

Article 3 The Committee shall comprise three members, including a Chairman who shall be an independent non-executive director of the Company. All members of the Committee shall be non-executive directors of the Company, and the majority of the members of the Committee shall be independent non-executive directors of the Company.

* *For identification purpose only.*

The Committee shall establish an administrative office in the Audit Department of the Company which is responsible for undertaking routine business of the Committee. The Committee may appoint one advisory member who shall be responsible for assisting in the daily work of the Committee.

Article 4 The members of the Committee shall satisfy the following requirements:

- (1) be familiar with the relevant domestic and foreign laws and regulations, as well as the business, organizational structure, management and control system of the Company;
- (2) have knowledge in areas of finance, accounting, auditing, internal control or macro-economy etc., and familiarity with the operation and management of the Company; at least one member of the Committee must be an independent non-executive director with appropriate expertise in accounting or financial management;
- (3) have strong ability to make comprehensive analysis and judgment and are capable of handling complicated financial and operational issues;
- (4) strictly comply with the law, proactively perform their duties and safeguard the rights and interests of the Company and all its shareholders in accordance with applicable laws and regulations and the Articles;
- (5) maintain strict confidentiality of the trade secrets of the Company and refrain from abuse of power for personal gain; and
- (6) 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 one 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.

Article 5 Members of the Committee shall be nominated by the Chairman of the Board, or by more than half of the independent non-executive directors, or by more than one third of all directors, and shall be appointed by the Board.

- Article 6 The term of office of a member of the Committee shall be the same as the term of office of his directorship. If a member of the Committee ceases to be a director of the Company, such member shall automatically cease to be a member of the Committee. A member of the Committee may resign prior to the expiry of his term of office by submitting a written resignation report to the Board, which shall include a statement of the reason thereof and if necessary the matters that should be brought to the attention of the Board. If a member of the Committee is disqualified to act or his resignation has been accepted, the Company shall fill in the vacancy by appointing a successor member in accordance with Articles 3, 4 and 5 above.
- Article 7 A member of the Committee may concurrently serve as a member of other committees under the Board, provided that such member is able to concurrently perform such duties.

Chapter 3 Duties and Responsibilities

- Article 8 The Committee shall perform the following duties and responsibilities:
- (1) give advice on the appointment, reappointment, removal and remuneration of the independent auditor;
 - (2) review and monitor the independence and objectivity of the independent auditor as well as the effectiveness of the audit process in accordance with the applicable standards. The Committee shall discuss the nature and scope of the audit with the independent auditor before the audit commences;
 - (3) develop and implement policies on engaging an external auditor to provide non-audit services, if necessary. The Committee shall report to the Board identifying and making recommendations on any matters where action or improvement is needed;

- (4) review the quarterly (if any), half-year and annual financial statements to be proposed to the Board, monitoring the completeness, accuracy and fairness of the financial statements of the Company. In reviewing these financial statements, the Committee shall focus on: any changes in accounting policies and estimates, major judgment areas, significant adjustments required by the independent auditor after auditing the accounts, the going concern assumptions and any qualifications, compliance with accounting standards and the relevant legal requirements;
- (5) consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and give due consideration to any matters that have been raised by the Company's accounting and finance department, compliance department or auditors;
- (6) discuss any queries raised by the independent auditor after reviewing the half-year accounts and auditing the annual accounts of the Company;
- (7) review the independent auditor's management letter (including any material queries raised by the independent auditor regarding the accounting records, financial accounts or monitoring system), and the responses to queries from the Company's management;
- (8) communicate with the Board, senior management and the independent auditor in respect of the Company's financial reports on a regular basis. The Committee shall meet, at least twice a year, with the Company's independent auditor;
- (9) be responsible for any material communication between the internal and external auditors;
- (10) review the Company's financial policies, internal auditing system, internal control and risk management systems, including:
 - (i) reviewing the Company's financial and accounting policies and practices;

- (ii) monitoring the preparation process of the periodic financial reports (quarterly report (if any), half-year report and annual report) and reviewing the periodic financial reports, the publication of results announcement and other relevant information;
 - (iii) discussing the risk management and internal control system with management to ensure that management has performed its duty to have an effective internal control system, including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, risk management, internal audit and financial reporting function;
 - (iv) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
 - (v) ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate authority and standing within the Company, and reviewing and monitoring its effectiveness;
 - (vi) reviewing any queries raised by the independent auditor to the management with respect to finance and internal control of the Company and ensuring that the management will provide timely responses to these queries; and
 - (vii) handling any other matters instructed by the Board.
- (11) the Committee shall establish a procedure for dealing with the following issues:
- (i) receiving, retaining and dealing with complaints coming to the knowledge of the Company in relation to accounting, internal control, risk management or auditing matters; and
 - (ii) receiving, dealing with and keeping in confidence complaints or whistleblowing from the Company's employees on accounting or auditing matters.
- (12) to fulfill such other duties and responsibilities delegated by the Board; and

(13) to fulfill other duties and responsibilities delegated by the security regulatory authorities in the jurisdiction where the Company is listed.

The senior management and relevant departments of the Company shall actively provide such necessary information and documents as required by the Committee in a cooperative and supportive manner. In particular, the finance department shall provide true and accurate financial reports, reports on operation of funds and other financial information to the Committee on a regular basis, keep the Committee informed of significant business activities in a timely manner, actively cooperate with the work of the Committee and attend to the proposals and requirements raised by the Committee.

Article 9 The Committee shall report its work to the Board on a regular basis.

Article 10 The Committee's costs shall be covered by the budget of the Company. When performing its duties, the Committee may engage legal counsels, certified public accountants, auditors and other professional advisors at a reasonable cost of the Company.

Article 11 The Chairman of the Committee shall perform the following duties and responsibilities:

- (1) convene and preside over the meetings of the Committee;
- (2) take charge of the daily business of the Committee;
- (3) approve and sign the reports and other important documents of the Committee;
- (4) examine the implementation of the resolutions and proposals of the Committee;
- (5) report to the Board on behalf of the Committee; and
- (6) fulfill such other duties and responsibilities as assigned to the Chairman of the Committee.

If the Chairman is unable to or fails to perform his duties, the Vice Chairman shall perform his/her duties; if the Vice Chairman is unable to or fails to perform his/her duties, a member of the Committee who is an independent non-executive director as elected by more than half of all members of the Committee shall perform his/her duties.

Chapter 4 Working Practices, Meetings and Rules of Procedure

Article 12 Work Process

- (1) The Committee shall promptly convene meetings on a regular basis or as necessary, to discuss the internal audit plan, to listen to the reports of the Company's finance and audit departments, and to review the Company's quarterly (if any), half-year and annual financial reports, etc. The Committee may engage professional counsels, if necessary, and make decisions or proposals to the Board after taking into account the opinions of the professional counsels.
- (2) The Committee shall comply with the following procedures in relation to the preparation and disclosure of the annual financial report of the Company:
 - (i) following the closure of a financial year, discuss with the independent auditor, who is responsible for auditing the annual financial report of such financial year (the "Annual Auditor"), in respect of the time schedule of the audit for such financial year;
 - (ii) urge the Annual Auditor to submit the audit report within the agreed period;
 - (iii) review the financial statements prepared by the Company before the Annual Auditor starts its work;
 - (iv) review the financial statements of the Company after the Annual Auditor issues its preliminary audit opinion; and

- (v) convene a meeting of the Committee to review the financial report, propose the re-appointment or replacement of the independent auditor for the next year, and prepare a report summarizing the annual audit services performed by the Annual Auditor in such year.

The above matters shall be adopted as resolutions before submittal to the Board for review.

Article 13 Meetings and Rules of Procedure

- (1) The meetings of the Committee shall be convened, and the notice thereof shall be issued, by the Chairman. The notice of the meeting and the meeting agenda shall be delivered to all members of the Committee five business days before the date of the meeting. Subject to the consent of all members of the Committee, the foregoing requirement of notification period may be waived;
- (2) The quorum for a meeting of the Committee requires the presence of a majority of the membership of the Committee (including those represented by another member with a written proxy). Any resolution or advice of the Committee is subject to the approval by a majority of the members present at a meeting with a quorum. All resolutions and advice of the Committee shall be signed by all of its members present at the meeting. In case of a tie, the Chairman of the Committee shall have a casting vote.

Article 14 The draft and final versions of the meeting minutes of the Committee shall be sent to all members of the Committee for their comment and records, respectively, within a reasonable time after the meeting. The meeting minutes, upon signing by the members of the Committee present at the meeting, shall be circulated to all members of the Board.

Article 15 Members present at a meeting of the Committee shall keep confidential all the matters discussed at such meeting, and may not disclose such information without prior authorization.

Chapter 5 Supplementary Provisions

Article 16 These Terms shall be interpreted by the Committee.

Article 17 In the event of any conflict between these Terms and any provision of applicable laws and regulations, regulatory documents or regulations in the jurisdiction where the Company is listed and which may have been promulgated from time to time, the latter shall prevail.

Article 18 These Terms and any amendments hereto shall take effect upon approval by the Board.