

Beijing Jingneng Clean Energy Co. Limited

Rules of Procedure for Audit Committee of the Board of Directors

This document is originally prepared in Chinese and this English version is not formally adopted in the shareholders' general meeting of the Company and is for reference only. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Chapter I General

1. In order to improve the corporate governance of Beijing Jingneng Clean Energy Co., Limited (the “Company”), to improve work efficiency and decision-making performance of the Board, to establish and standardize the management system and procedures for auditing, risk management and internal control, to ensure authenticity of the Company’s financial information and effectiveness of risk management and internal control, the Company sets up Audit Committee (the “Committee” or “Audit Committee”) of the board of directors (the “Committee” or “Audit Committee”) and formulates these rules in accordance with the “Company Law of the People’s Republic of China” and other relevant laws and regulations, the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (the “Listing Rules”) and relevant provisions of the Articles of Association of Beijing Jingneng Clean Energy Co. Limited (the “Articles of Association”).

2. The Audit Committee is a special department established by the board of directors, which provides advice and recommendations to the board of directors on decision making, reports its work and is responsible to the board of directors.

Chapter II Composition

3. The Audit Committee shall consist of three directors, with a majority of independent non-executive directors.

The Audit Committee shall have one chairman, who must be an independent non-executive director, shall be responsible for convening and chairing the committee meetings.

4. Audit Committee’s members shall meet the following requirements:

- (1) have related skills and experience which are compatible with the Company’s business;
- (2) have considerable financial knowledge;
- (3) at least one member of the Committee shall have an appropriate professional qualification or accounting or any other related financial management expertise, and meet the requirements of listing rules in the listing site on members of audit committee;
- (4) shall not serve more than three listed companies (including the Company) as a member of audit committee.

5. The Committee members and Chairman shall be nominated by the Chairman of the Board and elected by the board of directors, the term of office shall be consistent with the term of the board of directors. The Committee member can be reelected after the expiration of his/her term. If any member ceases to be a member of the board of directors during his/her term aforesaid, his/her Committee membership will be lost automatically. According to these rules, the board of directors shall elect a successor timely to ensure the Committee composition meets the requirements of these rules.

On recommendation of the chairman of the board of directors and discussion of the board of directors, adjustment shall be made to the members during the term of office.

6. The board of directors’ office shall be responsible for the daily communication and meeting organization of the Committee.

Chapter III Responsibility and authority

7. Duties of the Audit Committee include:
 - a) Financial report or financial statement:
 1. The Committee shall be responsible for reviewing the Company's annual report, interim report, quarterly report (if applicable), and the integrity of relevant financial reports and accounts, and reviewing the important advises in all the financial statements and reports mentioned above. The Committee shall review the financial statements prepared by the Company before the commencement of audit undertaken by the accountants responsible for conducting annual audit (the "Certified Accountant for Annual Audit") and work out a written opinion. The Committee shall review the financial statements of the Company and prepare a written opinion thereof after the Certified Accountant for Annual Audit has issued their preliminary audit opinion.
 2. The Committee shall submit the recommendations to the Board on matters relating to the corporate financial report, statement (including annual report, interim report, quarterly report (if applicable)) and relevant information, and shall consider the significant or unusual event reflects or may need to be reflected in these reports and accounts, and issues raised by the Company's staff, responsible for the corporate accounting and financial report, compliance officer or auditors.
 3. Before submitting the report mentioned in the second paragraph of this rule, the Committee shall specially focus on reviewing the following things:
 - (1) any changes in accounting policies and practices;
 - (2) information relates to material judgment;
 - (3) significant adjustments made on auditing;
 - (4) assumption on continuous operation and any qualified opinion;
 - (5) compliance with relevant accounting standards; and
 - (6) compliance with the Listing Rules and other laws and regulations in relation to financial report, including new rules issued by professional and regulatory agencies recently, and study their material effects on financial reporting.
 4. Concerning rules 2 and 3 above, the Committee's member shall liaise with the board of directors and senior management personnel. The Committee shall meet the Company's auditors at least twice a year.
 - b) Financial reporting, risk management and internal control systems:
 1. The Committee shall supervise and inspect the work of the internal audit department and its efficiency according to relevant accounting rules and other laws and regulations.
 2. The Committee shall monitor the financial reporting system of the Company, internal control system and risk management system, review and assess the following issues:
 - (1) to review the company's accounting policies and practices used for preparing financial statements;

- (2) to monitor the preparation process of periodic financial statements (annual report, interim report and quarterly report (if applicable)), and reviewing disclosure of relevant information of these periodic financial statements and financial results, and disclosure of other relevant information;
 - (3) to evaluate the efficiency of internal control and risk management systems, to co-ordination between the work of internal auditors and independent external auditors to promote effective use of resources, to ensure that the internal audit function is adequately resourced within the Company and to ensure relevant staff has sufficient ability and work experience, and provision of training program or similar program on regular basis;
 - (4) to review the substantial questions raised by the independent auditor to the management on matters relating to accounting record, financial accounts or monitoring system, and review the management's feedback or the other documents of communication; and ensure effective communication between independent accountant and the management;
 - (5) to understand the internal control and the controlling process implemented by the management to ensure that the financial statements generated from designated financial system comply with relevant rules and requirements, and are approved by the management;
 - (6) to discuss with the management on the risk management and the internal control systems to ensure that the management has performed its duty to have effective systems. The discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial report function;
 - (7) to review the Specification Letter of Audit Situation from the external auditor to the management, any material queries raised by the auditor to the management on matters relating to accounting records, financial accounts, risk management system or internal control system, and the management's response; and
 - (8) Ensure that the Board responds timely to the issues mentioned in the Specification Letter of Audit Situation from the external auditor to the management.
3. The Committee shall monitor the potential impropriety of the staff on matters relating to financial statements, risk management, internal control and other related issues, and make proper arrangement to ensure that the Company conduct fair and independent investigations and take proper action.
- c) Appointment of accounting firm:
1. The Committee shall discuss with the accounting firm to set up the financial reporting and auditing time arrangement for the current financial year, prompt the accounting firm to submit an audit report within the prescribed timeframe and prepare written records on matters relating to the form, frequency and results of the prompting, which shall be signed by all relevant officers-in-charge;
 2. The Committee shall annually review the accounting firm's performance, and submit a report on the work performed by such accounting firm during the year, and propose at the general meeting regarding recommendations on the appointment, re-appointment and removal of accounting firm, and to approve the remuneration and terms of engagement of the accounting firm, and any questions of its resignation or dismissal;
 3. to review the qualification of accounting firm (including the background and experience of the partners and auditor staff) and its independence to ensure that the periodic rotation meets the requirements of relevant laws and regulations;

4. according to changes of existing laws, regulations and other regulatory requirements, the Committee shall discuss with independent accountant on the scope of audit and method proposed by the latter, and review such suggestions, and relevant reporting obligations before the audit commences. The Committee shall also assess the independence and objectivity of the external auditor, and the effectiveness of the audit and process, and approve the audit plan beforehand;
 5. the Committee shall formulate and implement policies for the non-audit services provided by the accounting firm, and ensure that these services are not impair to the independence and objectivity of the accounting firm. The Committee shall suggest ways of improvement and feasible steps in relation to issues which may affect these services to the board of directors. The Committee shall review and approve the remuneration and all the non-audit services to be provided by the accounting firm;
 6. the Committee shall hold separate discussion with the independent accountant on necessary issues and ensure effective communication with the independent accountant is accessible;
 7. the Committee shall serve as the chief representative between the Company and the independent accountant to supervise the relationship between the two parties;
 8. the Committee shall obtain a report from the accounting firm on the situation of internal quality control and the potential material defects and deficiency of the Company;
 9. the Committee shall review the accounting firm's policies in relation to the employment of the accounting firm's employees and ex-employees, and supervise their implementation.
- d) Other duties specified by the related laws, policies and regulations on setting up the Committee's duties, which may be amended time to time.
- e) Complete other tasks authorized by the Board, or the issues referred by the Board.

Chapter IV Proceedings

8. The Committee shall meet regularly and hold extraordinary meetings as the circumstances require.

The regular meeting shall be held before the annual Board meeting, and discuss the advices and suggestions to be submitted to the Board.

The chairman of the Committee may hold extraordinary meetings at its discretion or at the request of independent accountant or internal auditor; an extraordinary meeting may be held when proposed by one half or more of the Committee members or advised by the chairman of the board of directors.

9. The Committee shall inform all the members and other related members who shall attend the meeting at least 7 days in advance. Under the agreement of all committee members, the meeting shall not be constrained by the aforesaid limitation of notice.

Extraordinary meetings can be noticed and hold by convenor at any time, which is not constrained by the forgoing limitation of notice.

10. All meetings shall be convened and chaired by the chairman of the Committee. The chairman of the Committee may entrust another member (an independent director) with such duty if he cannot carry out the same.

11. A meeting shall be held only with presence of two-third of the Committee members. Member who is unable to attend the meeting can entrust other member as proxy in written to attend and vote as his or her proxy. The instrument of proxy shall specify name, agent issue, scope of authorization and term of validity of such proxy, and shall be signed and sealed by the principal.

12. According to the agenda, the Committee may invite director, supervisor, general manager, chief accountant, other related senior management and officers of other related department and agency to attend meeting, and such personnel have no voting right.

13. Any member who neither attends nor entrusts another member to attend the meeting more than twice will be deemed as failing to perform his/her duty, the Board shall be entitled to adjust the membership of the Committee under these rules.

14. The meeting shall be on-site attendance in principle. If necessary the meeting can held through telephone or other similar communications facilities (including but not limited to voting by trans-functional signature, video, fax or email, etc.).

Attendance of on-site meetings will accord the presence of the video conference, the speakers at the telephone conference, the actual receipt of trans-functional files, and the effective votes sent by media like fax or email, or the confirmation letters submitted by the Committee after the meeting.

15. The meeting shall discuss all the agenda items one by one. The Committee members shall use their own judgement and express clear and independent opinions, and try to reach consensus. If no consensus is reached, all opinions shall be submitted to the Board with an explanation.

16. If a member has conflict of interest with any item on the agenda, he or she shall not vote on the issue.

17. The meeting shall vote by open ballot. Extraordinary meeting can vote by way of delivery by hand, post, fax or other communications provided that the members fully express their opinions and it is signed by the members who attend the meeting.

18. Each member shall represent one vote, and the resolution which gets more than half of the votes shall be adopted.

19. The minutes shall record all the proceedings of the Committee meetings. It shall be sent to each member by the director office and signed by each attendant and the recorder. The minutes shall be kept by the Company for at least ten years.

20. The Committee's resolutions, opinions and proposals shall be reported to the Board in writing for reference of the board of directors' voting.

21. The members and observers of the meeting shall perform the duty of confidentiality for the issues discussed, also shall not disclose the related information to any person in strict compliance with the Company's relevant regulations strictly.

22. The fees of the Committee refer to the fees incurred in the course of work and shall be included in the board of directors' budget and paid by the Company. They include the expenditure on research, printing, meeting, training, invitation or hiring an agent to provide professional opinions, etc.

Chapter V Additional Rules

23. These rules shall enter into force on the day when adopted by the board of directors.
24. Matters uncovered in these rules shall follow the related laws, regulations or the Articles of Association. If these rules conflict with the laws, regulations, the Listing Rules or the Articles of Association issued/ amended afterwards, the related laws, regulations and rules shall be followed, and these rules shall be amended and reported to the Board as soon as possible.
25. The terms and definitions mentioned in these rules shall be consistent with those in the Articles of Association.
26. These rules shall be construed and amended by the board of directors.