

(Effective on May 8, 2017)

CHINA EVERBRIGHT GREENTECH LIMITED

TERMS OF REFERENCE OF THE

AUDIT AND RISK MANAGEMENT COMMITTEE

Formation

1. The Audit and Risk Management Committee (“Committee”) was formed pursuant to the meeting of the board of directors of China Everbright Greentech Limited (the “Company”) passed on 10 April 2017.

Purpose

2. The purpose of the Committee is to provide oversight of the Company’s financial reporting function and risk management programs. As such, the Committee will be responsible for the review of the effectiveness of management’s processes for identifying, assessing, mitigating and monitoring enterprise-wide risks as well as the internal control.

Membership

3. The Committee shall be appointed by the board of directors of the Company (the “Board”) from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors and at least one of whom must have the appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). A quorum shall be two members.
4. The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.

Attendance at meetings

5. Attendees shall normally include Committee’s members, the Financial Controller, the Internal Auditor, a representative of the external auditors and those with meaningful input to the Committee’s activities. However, at least once a year the Committee shall meet with the external and internal auditors without executive Board members and management of the Company present.
6. The company secretary of the Company shall be the secretary of the Committee.
7. The quorum of meetings of the Committee shall be two members present in person or by telephone conference or by some other means the Committee thinks fit. Resolutions shall be passed by not less than 1/2 of members giving their consents.
8. In the absence of the chairman of the Committee, the other members present shall elect one of them to chair the meeting.
9. An agenda and accompanying meeting papers shall be sent in full to all members of the Committee in a timely manner and at least three days before the intended date of a meeting of the Committee (or such other period as agreed by its members).

10. The proceedings of all meetings will be minuted. Minutes of the Committee meetings shall record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by directors, members or dissenting views expressed. Draft and final versions of minutes shall be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
11. The Committee may invite any director, executive, other staff member or independent third party to attend all or part of a meeting of the Committee.

Frequency of meetings

12. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

13. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
14. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Responsibilities

15. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor of the Company as regards their duties relating to financial and other reporting, risk management and internal control systems, external and internal audits and such other financial and accounting matters as the Board determines from time to time.
16. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Company and its subsidiaries (the “Group”), overseeing the audit process, reviewing the completeness, accuracy, clarity and fairness of the Company’s financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions and performing other duties and responsibilities as may be assigned by the Board from time to time.
17. The Committee shall review the adequacy and effectiveness of the Company’s risk management framework, including to assess whether.
 - the right risks have been identified and are being managed in line with the Company’s risk appetite;
 - the assessments of the likelihood and consequences of each identified risk are current and realistic; and

- plans for managing each identified risk, including decisions to bear any risks unmitigated, are appropriate and effectively implemented.
18. The Committee shall maintain minutes or other records of its meetings and shall give regular reports to the Board on these meetings, generally its activities, decisions, recommendations, and such other matters as required by its terms of reference or as the Board shall from time to time specify.
19. The Committee shall approve the details to be published in the Company's Annual Report or any other statutory report or document with respect to the activities and responsibilities of the Committee.

Duties

20. The duties of the Committee shall be:
- (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 process in accordance with applicable standards. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
 - (c) to 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
 - (d) to monitor 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 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;
- (e) Regarding (d) above:
 - (i) members of the Committee 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 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;
- (f) to review the Company's financial controls, and unless expressly addressed by a separate Board risk management committee or by the board itself, risk management and internal control systems;
- (g) to discuss the risk management and internal control systems 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;
- (h) to 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;
- (i) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (j) to 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;
- (k) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (l) to ensure co-ordination 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters in these terms of reference of the Committee;
- (o) to review the Group's financial and accounting policies and practices;

- (p) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (q) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (r) to review annually the external auditor's fees which have been negotiated with management of the Company;
- (s) when the external auditor renders a substantial volume of non-audit services to the Group, to keep the nature and extent of such services under review, and ensure that the provision by the external auditor of non-audit services does not impair the external auditor's independence or objectivity; and
- (t) to consider other topics, as defined by the Board.

Reporting procedures

21. The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

Review Process

22. The terms of reference and composition of the Committee shall be reviewed periodically. Any changes to the terms of reference will require the approval of the Board and the Board shall review the work of the Committee as appropriate.

Others

23. The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to questions at the annual general meeting on the Committee's activities and their responsibilities.