Terms of Reference for the Audit Committee of the Board of Directors of China Longyuan Power Group Corporation Limited

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Article 1 The Terms of Reference is formulated in accordance with the Company Law of

and they may be reappointed. If one member no longer serves as the director of the Company or an independent non-executive director during his term, he will automatically lose his qualification as a member. To let the staffing of the Audit Committee meet the requirements of the Terms of Reference, the Board of Directors shall make up for the quorum of the Committee in a timely manner according to the above provisions.

Article 6 The Committee shall hold at least two regular meetings annually in the form of site meeting or communications conference. The Chairman of the Audit Committee may convene a meeting by himself or at the request of the independent accountant or internal auditor. Interim meetings may be convened upon proposal made by more than two members of the Committee.

The Audit Committee meetings shall be held only if more than two-thirds of the members are present. The meetings shall be presided over by the chairman; if the chairman is unable to attend, he may entrust another member of the Committee to preside over. If one committee member is unable to attend the meeting, he may authorize another member to exercise his power in written form.

Article 7 The Audit Committee shall submit a proposal to the Board of Directors according to the discussion after each regular meeting.

(1) The first regular session shall be convened before the Board of Directors holds the meeting to consider the annual financial report of that year. The main topics shall include:

Discuss the Company's fina.29 60st9 6['s)-90f)-6(ina.29-10t6l)-270su8uti)s591.5rib4(x)-2ficasession

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the meeting to consider the interim financial report of that year. The main topics shall include:

Discuss the Company's interim financial report and profit pre-distribution scheme;

Listen to the views of the independent accounting firm on the interim financial condition.

Article 8 The Audit Committee may entrust the Secretary of the Board of Directors to handle the following routine work:

(1) distribute the agenda and related support materials to the members of the Audit Committee seven days prior to each meeting of the Audit Committee;

(2) be responsible for the minutes of the meeting, collecting the views of all participating members, writing an opinion of the Committee and distributing it to the members present to sign;

(3) distribute the meeting minutes to the members of the Board of Directors and Audit Committee fourteen days since the conclusion of the meeting.

Article 9 The Audit Committee shall be responsible for reviewing the completeness of the Company's annual and interim reports and related financial statements and accounts, and to review significant financial reporting judgments contained.

The Audit Committee shall review the financial accounting statement prepared by the Company before the annual accountant enters, and formulate written comments. To review the Company's financial accounting statement again after the annual accountant issues their preliminary audit opinion, and formulate written comments.

Article 10 Before submitting the annual, interim and quarterly financial reports to the Board for approval, the Audit Committee shall present the representations of review of the Company's financial statements and related information to the Board of Directors. The Committee should consider any significant and unusual issues reflected or need to be reflected in the financial report and accounts, and give due consideration to matters raised by the Company's chief accountant and independent accountant, giving particular attention to the following matters:

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(3) significant adjustments made according to the audit activities;

(4) sustainable operation assumptions and uncertainties;

(5) compliance with relevant accounting standards that must be followed;

(6) compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and related laws and regulations on financial reporting, including new rules recently announced by the professional and regulatory bodies, and to comprehend the possible impacts on financial reporting.

On the above matters,

(i) members of the Committee must consult with the Board of Directors and senior management, and the Committee must meet at least twice with the external auditor each year;

(ii) the Committee shall consider significant or unusual issues reflected in or may need to be reflected in the reports and accounts, and must carefully consider matters raised by the responsible accounting and financial reporting personnel, compliance officer or auditor.

Article 11 The Audit Committee should inspect and monitor the work of the internal audit department based on the relevant rules of overseas place where the Company's Shares are listed.

Article 12 The Audit Committee shall have the responsibility to monitor the Comp

suspected violation of laws, rules and regulations, review the results of internal investigations and management's response;

(5) review and monitor the scope, efficiency and results of the internal audit function, ensure the coordination between internal and external auditors, as well as guarantee that the internal audit functions have sufficient resources and

of the responsible partners are in compliance with relevant laws and regulations and relevant listing rules of overseas place where the Company's Shares are listed.

(4) discuss and review the audit scope and approach of the year proposed by the independent accountant in accordance with the changes in existing laws and regulations and other regulatory requirements before commencing of the auditing work, evaluate whether the contents and procedures are objective and effective, and pre-approve the audit services;

(5) establish the policy for the accountant's firm in providing non-audit services, ensure that such services do not affect its independence or objectivity, and to propose suggestions or adoptable steps that can be taken by the Board of Directors for improvements that may influence the accounting firm in providing non-audit services, review and approve the matters and costs for the accounting firm in providing non-audit services to the Company;

(6) discuss with the independent accountants on matters deemed by both parties to be discussed independently, and ensure that the independent accountant can communicate with the Audit Committee smoothly whenever necessary;

(7) obtain the report that stating the Company's situation of internal quality control and the possible existence of major defects and deficiencies each year from the accounting firm;

(8) as the main representative, to monitor the relationship between the Company and the hired auditors;

(9) audit the policy for the Company to employ staff and former staff of the accounting firm and monitor its implementation.

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