



Dongfang Electric Corporation Limited

Regulations for the Work of Audit Committee of the Board of Directors

DECL.JB.2008-008A

1 General Provisions

- 1.1 To perfect governance structure of the Dongfang Electric Corporation Limited (“the Company”) and strengthen decision-making function of the Board of Directors, and further improve standardized operation of the Company, in accordance with the *Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies in China, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Guide for Effective Audit Committees, Articles of Association* and other relevant laws and regulations, set up the Audit Committee and formulate the Regulations.
- 1.2 The Audit Committee is the professional organ established by the Board of Directors and mainly responsible for supervising, checking and auditing standardized operation, financial reports, internal control management and connected Co4. Itial repo to of the Board

- 3.1.1 Proposing for employment or change of external audit agency;
- 3.1.2 Monitoring internal audit system of the Company and its implementation;
- 3.1.3 Auditing financial information of the Company and its disclosure, and reviewing the interim or annual financial statements before submission to the Board of Directors; during this process, the Audit Committee shall focus particularly on the following matters:
 - a. any changes in accounting policies and practices;
 - b. major judgment areas;
 - c. significant adjustments resulting from the audit;
 - d. the going concern assumptions;
 - e. compliance with accounting standards; and
 - f. compliance with the Stock Exchange's Listing Rules and legal requirements.
- 3.1.4 Discussing problems and questions arising from the audit of interim and annual accounts, and any other matters the auditors may wish to raise (if necessary, in the absence of management);
- 3.1.5 Reviewing internal control system of the Company;
- 3.1.6 Reviewing material connected transactions of the Company;
- 3.1.7 Reviewing the letters from external auditors to the management as well as the management's response;
- 3.1.8 Other matters as authorized by the Board of Directors.
- 3.2 The Audit Committee shall review the financial statements, reports of the Board of Directors, and discussion and analysis of the management stated in the Company's annual reports and interim reports, and monitor their authenticity, accuracy and completeness.
- 3.3 The Audit Committee shall review the material connected transactions, and monitor their fairness, compliance and disclosure.
- 3.4 The Audit Committee shall assess the internal control and risk management procedures of the Company in a timely manner, and review the establishment and implementation of internal control system of the Company.
- 3.5 The Audit Committee shall report to the Board of Directors. The resolutions made by the Audit Committee shall be submitted to the Board of Directors for approval. The Audit Committee shall cooperate with the Board of Supervisors during the audit of

supervisors.

- 3.6 The Audit Committee is authorized by the Board of Directors to carry out any inquiry in accordance with its terms of reference. It is entitled to obtain any information it requires from any administrative personnel of the Company and all the administrative personnel are required to co-operate with any request made by the Audit Committee.
- 3.7 The Audit Committee is authorized by the Board of Directors to seek advices on legal issues or other independent professional opinions from external agencies at the Company's expenses, and if necessary, it may invite professional(s) with relevant experience or knowledge to attend the meeting.

4 Rules of Procedure

- 4.1 As a routine work organ of the Audit Committee, the Office of the Board of Directors is responsible for liaison on a daily basis and organization of meetings.
- 4.2 The Office of the Board of Directors and the Financial Department of the Company are responsible for preparatory work during implementation of the resolutions adopted by the Audit Committee, and provides relevant materials in writing;
- 4.2.1 Relevant financial reports of the Company;
- 4.2.2 Work reports of the internal audit agencies;
- 4.2.3 External audit contracts and relevant work reports;
- 4.2.4 Information disclosure of the Company;
- 4.2.5 Audit reports for the material connected transactions of the Company;
- 4.2.6 Other relevant matters.
- 4.3 The Audit Committee shall convene a meeting to review the written materials relating to the Company, and report written resolutions to the Board of Directors for discussion;
- 4.3.1 Work evaluation of the external audit agency, and employment and change of the external audit agency;
- 4.3.2 Internal audit system and internal control system of the Company are sound or not, and are effectively implemented or not; financial reports of the Company are complete and authentic or not;
- 4.3.3 Disclosed information of the Company, such as financial reports, is objective and true or not; material connected transactions of the Company comply with laws and regulations or not;
- 4.3.4 Work evaluation for Financial Department and Audit Department in the Company, including the heads of these departments;

4.3.5 Other relevant matters.

- 4.4 Meetings of the Audit Committee are divided into regular meetings and interim meetings. The regular meetings shall be convened at least twice in one year for the purpose of auditing the annual report and interim report of the Company. Interim meetings are proposed by the members of the Audit Committee. The external auditors may request a meeting if they consider that is necessary. All members of the Audit committee shall be informed seven days before the meeting. The head of the Audit Committee shall preside the meeting, and in his absence, another member in the committee may be elected to preside.
- 4.5 The Audit Committee's meeting may be convened with the attendance of more than one half of the members. Each member shall have one voting right and the resolutions adopted in the meeting shall be approved by more than half of all the members.
- 4.6 The Audit Committee's members may vote by showing of hands and the interim meeting may be convened by voting through communication means.
- 4.7 In general, chief accountant, the head of the Financial Department and representative(s) of external auditors shall attend the meeting. The Audit Committee shall meet with the external auditors and internal auditors at least once a year without executive directors being present.
- 4.8 The Office of the Board of Directors, the Company's Financial Department can be present at the Audit Committee's meeting. If necessary, directors, supervisors and other senior management can also be present at the meeting.
- 4.9 The convening procedure of the Audit Committee's meeting, voting forms and the resolutions passed in the meeting shall be subject to the laws, regulations, Articles of Association and the Regulations.
- 4.10 There shall be the minutes of the Audit Committee's meeting and the members attending the meeting shall sign on the minutes. The meeting minutes shall be kept by the Secretary of the Board of Directors.
- 4.11 The resolutions adopted in the Audit Committee's meeting shall be reported in writing to the Company's Board of Directors.
- 4.12 All the members present shall keep confidential for all the items discussed in the meeting. It is forbidden to disclose any relevant information without permission.

5 Supplementary Provisions

- 5.1 Any matters not mentioned in the Regulations shall be carried out subject to the relevant national laws, regulations, and the Articles of Association; Where the Regulations contravene the laws and regulations adopted by the state later on or the Articles of Association amended legally, national laws, regulations and the Articles of Association shall prevail. The Regulations shall be revised in a timely manner, and the revised version shall be reported to the Board of Directors for approval.

- 5.2 The right of interpretation of the Regulations shall belong to the Company's Board of Directors.
- 5.3 The Regulations shall become effective as of the date of approval by the Board of Directors.

Note: The Terms of Reference was originally drafted in Chinese and the English translation is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.