

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

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- 1.1 To perfect the governance structure of the Dongfang Electric Corporation Limited (“the Company”) and strengthen the 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*, *the Guideline for the Operation of Audit Committees of Boards of Directors of Listed Companies of the SSE*, *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, *Guide for Effective Audit Committees*, *Articles of Association of Dongfang Electric Corporation Limited* (“Articles of Association”) and other relevant laws, regulations and normative documents, the Company has set up the Audit Committee and formulate the Regulations.
- 1.2 The Audit Committee is a professional organ under the Board of Directors and mainly responsible for supervising, checking and auditing standardized operation, financial reports, internal control management and connected transactions of the Company, and reporting to the Board of Directors.

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- 2.1 The Audit Committee shall be composed of three to five non-executive directors, over one half of whom shall be independent directors. All members of the committee are required to have the expertise and business experience to qualify for the duties in the Audit Committee. Besides, at least one independent director shall be a professional accountant.
- 2.2 The members of the Audit Committee shall be nominated by the chairman of the Board of Directors and more than half of the independent non-executive directors or more than one-third of all directors and elected and appointed by the Board of Directors from its members.
- 2.3 The Audit Committee shall have a chairman who is acted by an independent director, and responsible for presiding over the Audit Committee. The chairman of the Audit Committee shall have expertise relating to accounting or financial management. The chairman shall be elected among members of the committee and reported to the Board of Directors for approval.
- 2.4 Term of service of the members of Audit Committee is the same as that of the directors. At the expiration of their terms, the members may continue to serve as such if being elected. When a member does not serve as the Company’s director any more before its term expires, he/she shall be automatically disqualified for the member of the Audit Committee; and the Audit Committee shall, in accordance

with above-mentioned provisions, make up the number of members.

2.5 The Secretary of the Board of Directors shall be the Secretary of the Audit Committee.

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3.1 The Audit Committee is mainly responsible for: Monitoring and evaluating the work of the external audit institution, and proposing for employment or change of the external audit institution, including:

- a) Assessing the independence and professionalism of the external audit institution, in particular the impact on its independence from non-audit services provided by such external audit institution;
- b) Proposing the employment or change of external audit institution to the Board of Directors;
- c) Reviewing the audit fees and employment terms with the external audit institution;
- d) Discussing and communicating on audit scope, audit plans, audit methodology and major issues found in the audit with the external audit institution;
- e) Monitoring and evaluating the diligence and conscientiousness of external auditor institution.

3.1.2 Guiding the internal audit work, monitoring internal audit system of the Company and its implementation, including:

- a) Reviewing the Company's annual internal audit plan;
- b) Supervising the implementation of the Company's internal audit plan;
- c) Reviewing the internal audit report, assessing the results of internal audit work, and supervising the rectification of major issues;
- d) Guiding the effective functioning of the internal audit department.

The Company's internal audit department shall report to the Audit Committee. The internal audit department shall submit rectification plans and rectification briefings of all types of audit reports and audit problems to the management as well as the Audit Committee.

3.1.3 Auditing financial information of the Company and its disclosure, and reviewing the interim and 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 requirements of Stock Exchange and relevant regulations.
- 3.1.4 Coordinating the communication between the management, internal audit department and relevant departments with the external audit institution, including:
- a) Coordinating the communication on major audit problems between the management and the external audit institution;
 - b) Coordinating the communication between the internal audit department and the external audit institution and supporting for external audit work;
 - c) Discussing with auditors 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 the Company's internal control system, and assessing the effectiveness of internal control, including:
- a) Assessing the appropriateness of the Company's internal control system design;
 - b) Reviewing the self-assessment report of the internal control;
 - c) Reviewing the internal control audit report issued by the external audit institution, and communicating with the external audit institution on any problems found and the improvement methods;
 - d) Evaluating the results of internal control assessment and audit, and supervising and urging the rectification of internal control defects.
- 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 as well as other matters involved in related laws, regulations, and normative documents.
- 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 annual reports and interim reports in order to judge their authenticity, accuracy and completeness, and express opinions on the financial report, including:
- 3.2.1 Raising opinions on the authenticity, completeness and accuracy of the financial reports;
 - 3.2.2 Focusing on significant accounting and auditing issues in the Company's financial report, including significant adjustments made for accounting errors, significant changes in accounting policies and estimates, matters involving critical accounting judgments, as well as matters resulting in non-standard unqualified audit reports, etc.;
 - 3.2.3 Paying special attention to the possibility of the existence of fraud, corrupt practices and material misstatement related to the financial report;
 - 3.2.4 Overseeing the rectification progress of problems with the financial report.

- 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, and assess the effectiveness of internal control.
- 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 consideration and approval. For the employment or change of external audit institution by the Company, the Board of Directors shall review the relevant resolutions only after the Audit Committee forms an opinion and proposed the suggestion to the Board of Directors. The Audit Committee shall cooperate with the Supervisory Committee for their supervision on the audit work.
- 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 cooperate 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 externally at the Company's expenses, and if necessary, it may invite external professional(s) with relevant experience or knowledge to attend the meeting.

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- 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, the Financial Department of the Company and the Auditing Department are responsible for preparatory work for decision-making of the Audit Committee, and providing relevant written materials relating to the following aspects of the Company:
 - 4.2.1 Relevant financial reports of the Company;
 - 4.2.2 Work reports of the internal and external audit institutions;
 - 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 aforementioned aspects of the Company, and report the following relevant written resolutions to the Board of Directors for discussion:
- 4.3.1 Work evaluation of the external audit institution, and employment and change of the external audit institution;
- 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 authentic, accurate and complete or not;
- 4.3.3 Information of the Company disclosed to the public, such as financial reports, is objective and true or not; material connected transactions of the Company comply with relevant 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. Regular and interim meetings shall be convened and presided over by the chairman of the Audit Committee. In the event that the chairman cannot or refuse to perform his or her duties, the chairman shall appoint an independent director to perform his or her duties. The regular meetings shall be held at least four times per year, the Audit Committee can hold interim meetings, if necessary. The interim meetings shall be held if it is proposed by at least two members of the Audit Committee or the chairman considers it is necessary. 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.
- 4.5 The Audit Committee's meeting may be convened with the attendance of at least two-thirds 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. The deliberation opinions proposed by the Audit Committee to the Board of Directors may be adopted only if it is approved by more than half of all the members, the members of Audit Committee who have an interest in the subject matter shall not be present at such meetings, in the event that no effective deliberation opinions are gathered due to this reason, the relevant matters shall be directly reviewed and deliberated by the Board of Directors.
- 4.6 Members of Audit Committee shall attend the meeting in person and express their clear opinions on the subject matter. In the event that a member is unable to attend the meeting in person for some reasons, the member shall submit a signed written authorization to entrust another member to attend such meeting and express opinions on his behalf. The scope and duration of authorization shall be clearly

indicated in the written authorization, and one member can only be entrusted by ONLY one other member; if an independent director is unable to attend the meeting in person for some reason, he shall entrust another independent director to attend such meeting on his behalf.

- 4.7 The Audit Committee's meeting shall adopt the voting form of show of hands, and the interim meeting may be convened by voting through communication means.
- 4.8 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. The Audit Committee shall hold separate communication meeting with external audit institutions without management being present at least once a year, the secretary of the Board of Directors can be present at such meetings.
- 4.9 The Office of the Board of Directors, the Company's Financial Department, the Auditing Department and other departments can be present at the Audit Committee's meeting. If necessary, directors, supervisors and other senior management can also be present at the meeting.
- 4.10 The convening procedure, voting forms of the Audit Committee's meeting and the resolutions passed in the meeting shall be subject to the laws, regulations, Articles of Association and the Regulations.
- 4.11 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.
- 4.12 The resolutions approved at the Audit Committee's meeting and voting results shall be reported in writing to the Company's Board of Directors.
- 4.13 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.

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- 5.1 Any matters not mentioned in the Regulations shall be carried out subject to the relevant national laws, regulations, normative documents and the Articles of Association; Where the Regulations contravene the laws, regulations, normative documents adopted by the state later on or the Articles of Association amended legally, national laws, regulations, normative documents and the Articles of Association shall prevail.
- 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 Regulations were 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.