



Trony Solar Holdings Company Limited

創益太陽能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(stock code: 2468)

Terms of reference of the Audit Committee (“Committee”) of the Board of Directors (“Board”) of the Company

1. Constitution

1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 13 September 2010 with the following responsibilities:

- (a) to assure that adequate risk management and internal control systems are in place and followed;
- (b) to assure that appropriate accounting principles and reporting practices are followed;
- (c) to provide liaison among the shareholders, management, the authorized independent auditors (the “External Auditors”), internal auditors or any person responsible for internal audit function (the “IA People”);
- (d) to consider the qualifications and independence of the External Auditors;
- (e) to satisfy itself as to compliance with any applicable legal requirements;
- (f) to review audit and control related corporate representations made to External Auditors, IA People and to the shareholders of the Company;
- (g) to ensure itself that good accounting and audit policy, internal control, ethics of conduct and proper business ethics have been followed;
- (h) to contribute towards a climate of discipline, risk management awareness and control within the Company and its subsidiaries (the “Group”); and
- (i) to implement any other duties as delegated by the Board.

2. Membership

2.1 Members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom shall be independent non-executive directors and at least one of the Committee members shall be with appropriate qualifications or

accounting or related financial management expertise as required under Rule 3.10(2) of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- 2.2 The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.
- 2.3 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolution passed by the Board and by the Committee.
- 2.4 A former partner, principal, shareholder, or professional employee of the Company’s existing external auditor is prohibited from acting as a Committee member for a period of one (1) year as calculated under the Listing Rules and applicable auditor independence rules.

3. Proceedings of the Committee

3.1 Notice of Meeting:

- (a) Unless otherwise agreed by all the Committee members, a meeting shall be convened by at least seven days’ notice.
- (b) A Committee member may at any time summon a Committee meeting.
- (c) Notice shall be given to each Committee member in person orally or in writing or by telephone or by facsimile transmission or email at numbers or addresses from time to time notified to the secretary of the Company by such Committee member or in such other manner as the Committee members may from time to time determine.
- (d) Any notice given orally shall be followed by confirmation in writing before the meeting.
- (e) Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting.

3.2 Quorum:

The quorum of the Committee meeting shall be two members of the Committee.

3.3 Other Board members shall also have the right of attendance.

3.4 The Committee shall meet with the External Auditors without any executive member of the Board in attendance at least once a year.

4. Written resolutions

4.1 Written resolutions may be passed by all Committee members in writing.

5. Alternate Committee members

5.1 A Committee member may not appoint any alternate.

6. Authorities of the Committee

6.1 The Committee has the authority delegated to it from the Board to deal with the matters set out in clause 7 below.

7. Duties

7.1 The Committee is to serve as a focal point for communication between other directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, risk management, internal controls, external and IA People and such other matters as the Board determines from time to time.

7.2 The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal controls systems of the Group, and as to the adequacy of the external and internal audits

7.3 The Committee is to :

(a) 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) 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 auditors the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved. Procedures to review and monitor the independence of external auditor may include:

(i) consider all relationship between the Group and the audit firm (including the provision of non-audit services);

(ii) seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance

with relevant requirements, including current requirements regarding rotation of audit partners and staff; and

- (iii) meet with the External Auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditors may wish to raise.
- (c) 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) review with External Auditors and IA People, the group’s management, the adequacy of the group’s policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;
- (e) monitor integrity of the Company’s financial statements, annual report and accounts, and half-year report, 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 the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting and auditing standards;
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and
 - (vii) review the fairness of connected transactions and making disclosures in accordance with the Listing Rules and accounting standards.
- (f) review the Company’s financial controls, internal control and risk management systems;

- (g) discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an 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) 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) ensure co-ordination between IA People 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;
- (j) review the Group's financial and accounting policies and practices;
- (k) review the External Auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or system of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out above; and
- (n) consider other topics, as defined by the Board.

7.4 In regard to 7.3(e) above:-

- (a) members of the Committee should liaise with the Board, senior management and the financial controller of the Company that they must meet, at least twice a year, with the External Auditor; and
- (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the financial controller and the compliance officer of the Company or External Auditors;

7.5 The Committee should be provided with sufficient resources to discharge all of its duties.

8. Reporting procedures

- 8.1 Full minutes of Committee meeting shall be kept by the secretary of the Company. The secretary of the Company shall circulate the draft and final version of minutes of meetings for their comments and records respectively and all written resolutions of the Committee to all members of the Board within a reasonable time.

9. Continuing application of the articles of association of the Company

- 9.1 The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

10. Powers of the Board

- 10.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Code on Corporate Governance Practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.