Blue Sky Power Holdings Limited
藍天威力控股有限公司

(the "Company")
(Incorporated in Bermuda with limited liability)
（Hong Kong Stock Code：6828）
（Singapore Stock Code：UQ7）

Terms of Reference of the Audit Committee

(Adopted on 29 March 2012 and revised on 30 August 2016)

1. Constitution

The audit committee ("**Audit Committee**") was established pursuant to a resolution passed by the board of directors of the Company (the "**Board**") at its meeting held on 26 March 2007 and revised the terms of reference on 30 August 2016.

2. Membership

2.1 Members of the Audit Committee ("**Members**", and each a "**Member**") shall be appointed by the Board from amongst the non-executive directors of the Company (including independent non-executive directors ("**INEDs**", and each an "**INED**") of the Company).

2.2 The Audit Committee shall consist of not less than three Members and shall comprise non-executive directors of the Company only, and a majority of the Members shall be INEDs. At least one of the Members shall be an INED with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2.3 A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee within a period of at least one (1) year from the date of his ceasing:
(a) to be a partner of the firm; or
(b) to have any financial interest in the firm,
whichever is the later.

2.4 The appointment of the Members may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board and by the Audit Committee. If a Member ceases to be a director, then his office as a Member shall ipso facto cease.

3. Chairman

The Chairman of the Audit Committee shall be appointed by the Board and shall be an INED.

4. Secretary

4.1 The company secretary of the Company shall be the secretary of the Audit Committee.

4.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

5. Meetings

5.1 The Audit Committee shall meet at least twice each year. The Company's external auditor may request that a meeting be held if they consider it necessary.

5.2 Notice of any meetings has to be given at least seven (7) days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.

5.3 The quorum of the Audit Committee shall be any two Members.

5.4 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment or through electronic means of communications by means of which all persons participating in the meeting are capable of hearing each other.

5.5 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.

5.6 A resolution in writing signed by all Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

5.7 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes of the meetings shall be circulated to all Members for their comment and records within a reasonable period of time after the meeting.

6. Attendance at Meetings

6.1 At least twice a year, representatives of the Company's external auditor will meet the Audit Committee to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

6.2 The chief financial officer or in his absence, a representative from the finance department of the Company invited by a Committee member shall attend the meetings. Other members of the Board or other persons may attend all or part of any meeting at the invitation of the Audit Committee.

6.3 Only Members of the Audit Committee are entitled to vote at the meetings.

7. Annual General Meeting

The Chairman of the Audit Committee or in his absence, another Member (who must be an INED), shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

8. Responsibility

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control system and to assist the Board with any other responsibility as may be delegated by the Board from time to time. The Audit Committee shall have the following responsibilities:

Relationship with the Company's External Auditor

8.1 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 other terms of engagement of the external auditor, and any questions of resignation or dismissal;

8.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

8.3 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;

8.4 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

8.5 to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

8.6 to monitor the 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;

8.7 in reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from the audit;

(d) the going concern assumption and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

and to provide advice and comments thereon to the Board;

8.8 regarding to 8.7 above:

(a) Members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

(b) the Audit 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;

8.9 to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

Oversight of the Company's financial reporting system, risk management and internal control systems

8.10 to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

8.11 to discuss the risk management and internal control systems with management 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;

8.12 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;

8.13 where an internal audit function exists, 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;

8.14 to review the Group's financial and accounting policies and practices;

8.15 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;

8.16 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

8.17 to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

8.18 to report to the Board on the matters set out above; and

8.19 to consider other matters, as defined or assigned by the Board from time to time.

9. Reporting Responsibilities

The Audit Committee shall report to the Board when appropriate.

10. Authority

10.1 The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.

10.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.

10.3 The Audit Committee should be provided with sufficient resources to discharge its duties. Where necessary, the Audit Committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.

Note: Arrangement to seek independent professional advice could be made through Company Secretary.

11. Effective date and Amendments

11.1 These terms of reference shall come into effect on the date when they are approved by the Board.

11.2 Any amendments to these terms of reference shall be recommended by the Audit Committee and come into effect on the date when they are approved by the Board.