

SHENZHEN EXPRESSWAY COMPANY LIMITED



Audit Committee Terms of Reference

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(Approved by the 14th meeting of the 6th session
of the board of directors of the Company
held on 18th December 2013)

- * This document is originally prepared in Chinese and this English version is for reference only. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Chapter 1 General Provisions

- Article 1 In order to better perform its duties and improve efficiency of its procedures, the board (the “Board”) of directors of Shenzhen Expressway Company Limited (the “Company”) shall establish an audit committee (the “Committee”) thereunder, mainly responsible for reviewing the quality and efficiency of the Company’s financial reporting and internal control independently.
- Article 2 The Committee shall be a specialised committee under the Board and a non-permanent organisation accountable to the Board.
- Article 3 The terms of reference of the Committee (the “Terms of Reference”) shall provide a clear statement of the scope of powers and duties of the Committee and is an important guidance and basis for the work of the Committee.
- Article 4 The Committee shall exercise its powers granted by the Board in accordance with this Terms of Reference to perform its duties, to report and make recommendations to the Board, and to assist the Board to complete its relevant duties, so as to increase the Board’s efficiency, reporting quality, transparency and objectivity.

Chapter 2 Membership

- Article 5 The Committee shall comprise of three to five non-executive directors with one committee chairman. The chairman and members of the committee shall be appointed by the Board, comprising a majority of independent directors and chaired by an independent director. At least one member shall be an independent director with accounting professional qualifications in accordance with the requirements of the China Securities Regulatory Commission and The Stock Exchange of Hong Kong Limited.
- Article 6 The members of the Committee shall be familiar with the business characteristics and mode of operations of the Company, possess relatively strong financial knowledge, extensive business experience and skills such as business management skills.
- Article 7 The Committee shall appoint a secretary to assist communications and coordination between the Committee and the Board, other specialised committees, the internal audit department and other departments of the Company, and to assist the Committee to obtain information necessary for its performance of duties.
- Article 8 The term of a Committee member shall be three years and he or she shall change term regularly. As far as possible, the term of a Committee member shall be the same as his or her term of director of the Company.
- Article 9 Appropriate remuneration shall be paid to the Committee member to reflect the time commitment and responsibilities of the respective Committee member. The Company shall enter into written contract with the Committee member regarding his remuneration subject to the approval by shareholders’ meeting.

Chapter 3 Powers

- Article 10 The Committee shall be authorised by the Board to exercise its powers under this Terms of Reference. The Committee shall be accountable to the Board but shall not enjoy exclusive powers, and it shall not replace the Board in exercising its decision and management powers unless duly authorised.
- Article 11 The Committee shall have power to perform audit on respective businesses of the Company, its subsidiaries, joint ventures and associated companies, or authorise the Company's internal audit department to perform the relevant audit in accordance with the laws, regulations and relevant requirements.
- Article 12 The Committee shall have power to demand the unit or department being audited to submit relevant plans, budgets, accounts, financial statements, accounting proofs, accounting softwares, contracts and any other relevant documents. The relevant units and departments shall submit such documents on time and shall not refuse to submit such information, conceal or transfer any of such information or provide false information.
- Article 13 The Committee shall have power to raise queries with and demand supporting materials from the unit or department being audited. The relevant unit and staff shall fully assist, cooperate and provide information and materials truthfully.
- Article 14 During the investigation or issue of any opinion by the Committee within its scope of powers and in accordance with the authorisation by the Board, the Committee shall have power to engage or invite any professional or organisation with relevant experience and expertise to act as its consultants for the relevant issues and provide basis for its judgment, and the costs reasonably incurred shall be borne by the Company.
- Article 15 Upon special authorisation by the Board and in performing its duties, the Committee shall have power to enlarge the scope of audit on the business of the Company.

Chapter 4 Duties

- Article 16 The Committee shall regularly review, update or accept amendments on this Terms of Reference in order to promptly reflect the development and changes of the Company. Such amendments must be approved by the Board.
- Article 17 The Committee shall monitor integrity of the Company's financial statements and periodic reports (including annual report, interim report and quarterly report), and review significant financial reporting judgments contained in them. Before submitting the relevant accounts and reports to the Board, the Committee shall review with the accounting firm which audit the financial statements (the "Accountants"), the internal audit department's general manager and the Company's senior management focusing particularly on the following items:

- compliance with accounting standards and appropriateness of the accounting policies adopted;
- any changes in the Company's accounting policies and accounting practices;
- major judgmental or estimation areas, review the reasonableness of the accounting estimations made by the Company's management staff, and may raise queries as to whether a more appropriate calculation basis exists or whether additional information shall be obtained before making such judgments;
- full disclosure of all relevant items in the Company's accounts, and whether such disclosure of information can let the users of the accounts understand the nature of the transactions reported fairly; whether the Company's periodic reports reflect the Company's results fairly and the consistency of the situation reflected by the respective accounts;
- significant accounting adjustments and disputed unadjusted discrepancy resulting from audit or review of the Company;
- the going concern assumptions and any qualifications opinions; and
- evaluate laws, regulatory rules and the relevant policies which may have a significant impact on the financial reports or financial reporting, and review whether the Company complies with such laws, regulations and policies.

In the course of review, the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the accounts and report. It shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, internal audit department or Accountants;

Article 18 The Committee shall discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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. The Committee shall consider major investigations findings on internal control matters and management's response to these findings as delegated by the board or on its own initiative.

Article 19 The Committee shall at least annually conduct a review of the effectiveness of the internal control systems of the Company and its subsidiaries (the "Group") and report to shareholders that they have done so in its "Corporate Governance Report". The review shall cover all material controls, including financial, operational and compliance controls and risk management functions.

Article 20 The duties of the Committee in relation to matters of the Accountants include:

- making recommendations to the Board on the appointment, reappointment and removal of the Accountant, and approving the remuneration and terms of engagement of the Accountant, and any questions of its resignation or dismissal;

- reviewing and monitoring the Accountant's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- discussing with the Accountant the nature and scope of the audit and reporting obligations before the audit commences;
- developing and implementing policy on engaging an Accountant to supply non-audit services. The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- acting as the key representative body for overseeing the Company's relations with the Accountant.

Article 21 The Committee shall review the appointment, change and dismissal of the general manager or the head of the Company's internal audit department, and shall review and monitor the effectiveness of work of the audit department.

Article 22 The Committee shall ensure the sufficiency of resources for its operations and appropriate status of the internal audit department. The Committee shall examine and review with the management and the internal audit department:

- the difficulties encountered in the process of audit, including any restraint of its scope of work or not being able to obtain the required information;
- any amendments to the scope of audit plan required; and
- budget and staff required for internal audit.

Article 23 The Committee shall review and coordinate the scope of work and audit plan with the Accountants and the Company's internal audit department to ensure a comprehensive scope of work, to avoid duplication of work and to promote efficient use of resources.

Article 24 The Committee shall review the management letter from the Accountants and the internal audit department, any material queries or recommendations raised by the Accountants and the internal audit department to management about accounting records, financial accounts or internal control and management's response. The Committee shall ensure that the Board will provide a timely response to the issues raised in the Accountant's management letter.

Article 25 According to the requirements of the "Implementation Guidelines for Connected Transactions of Listed Companies" of Shanghai Securities Exchange, the Committee shall perform the relevant duties regarding control and daily management of connected transactions, including:

- regular review and confirmation of the list of connected persons of the Company, and prompt report to the Board and the supervisory committee of the Company; and
- auditing significant connected transactions of the Company, forming and submission of written opinions to the Board for approval and reporting to the supervisory committee of the Company.

Article 26 The Committee shall regularly review the reporting policy and its actual operation in relation to the "Anti-Corruption Work Ordinance" of the Company, and to attend to



whether the Company's investigation on corruption matters is independent and fair. The Committee shall establish anti-corruption reporting mailbox to ensure Company's employees and relevant parties (such as customers, suppliers, etc.) may raise concerns to the Committee about possible improprieties in financial reporting, internal control or other matters.

Article 27 The Committee shall complete other audit work delegated by the Board.

Article 28 The Committee shall report the work of the Committee to the Board regularly and make recommendations to the Board.

Chapter 5 Meetings and Reporting Procedures

Article 29 The Committee shall hold at least four meetings annually. Meetings shall be called and presided by the chairman of the Committee, and shall be called by notice of not less than five days to all members of the Committee. The Accountants may demand the Committee to hold meetings if consider necessary.

Article 30 The Committee shall hold a meeting to discuss any issues regarding the accounts within reasonable time before the announcement of its periodic reports, respectively.

Article 31 The chairman of the Committee shall be responsible for preparing the meeting agenda and delegating the relevant staff to prepare the information required. Such meeting materials shall be distributed to the members of the Committee three days before the meeting.

Article 32 The meeting of the Committee shall only be held with the attendance of more than half of its members. Resolutions of a meeting must be passed by a simple majority of all the members.

A member who is unable to attend the meeting in person due to certain reasons may appoint in writing other member to attend the meeting on his/her behalf. The power of attorney should contain the reasons of absence, the name of proxy, the detail opinion of the consignor, and signed or sealed by the consignor. A member shall not appoint other member to attend the meeting on his/her behalf if he/she has not expressed his/her opinion. Each member can only be appointed by one member in each meeting.

A meeting can be held by way of communication in writing upon agreed by all members of the Committee. A member expresses opinion in relation to the relevant agenda by way of writing shall be deemed as attending the meeting.

Article 33 The Committee may invite other members of the Board, management of the Company, general manager or head of the internal audit department, the Accountants or other relevant party to attend meetings, if necessary. The Committee may request to hold internal meetings with the Accountants and without the attendance of the executive directors, or internal meetings with executive directors and without the attendance of the Accountants, to ensure exchange of opinions in a free and frank manner.



Article 34 Minutes of Committee meetings shall be taken and full minutes of Committee meetings shall be kept by the secretary of the Committee. Draft and final versions of minutes of the Committee meetings shall be sent to all Committee members within twenty-one days after the Committee meetings respectively. After receiving comments from the Committee members on the draft versions, the final versions shall be kept for their records.

Article 35 The chairman of the Committee shall report the major content of the meeting to the Board after each meeting and report its work progress to the Board at least every six months.

Article 36 The chairman of the Committee shall submit to the Board at least annually a report on the Committee's work and audit results during its period including but not limited to the following items:

- conclusion of the discussion with the Accountants about its work, the audit of the financial statements and audit opinions;
- recommendations about appointment of the Accountants, including evaluation of its services quality, reasonableness of its remuneration, and issues of its resignation, change and dismissal;
- responses to the evaluation of the Company's internal audit department and results of the internal audit; and
- conclusion of the effectiveness of the internal control system.

Chapter 6 Supplementary Provisions

Article 37 In this Terms of Reference, "Accountants" shall have the same meaning as "Auditors".

Article 38 For matters not covered in this Terms of Reference or in cases of any inconsistencies between this Terms of Reference and requirements as promulgated or amended from time to time, the relevant laws, regulations, rules and the articles of association of the Company shall prevail.

Article 39 This Terms of Reference shall be effective upon approval by the Board.

Article 40 This Terms of Reference shall be interpreted and amended by the Board.