

HOPEWELL HIGHWAY INFRASTRUCTURE LIMITED ("the Company")

Audit Committee – Terms of Reference

Foreword

The Company has established an Audit Committee in July 2003 with written terms of reference.

On 1 July 2005, the Board of Directors ("the Board") adopted revised terms of reference in order to comply with the Code on Corporate Governance Practices (Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules")). In light of the latest amendments made to the Listing Rules (which have taken effect from 1 January 2009), the Board has further adopted the following revised terms of reference of the Audit Committee on 26 February 2009 in accordance with such code.

Membership & Secretary

1. **Memberships** : The Committee must consist of a minimum of three members ("Members").

The Committee shall be appointed by the Board of Directors ("the Board") from amongst the Non-Executive Directors of which a majority of whom must be Independent Non-Executive Directors ("INEDs").

At least one INED must have appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules.

A former partner of the Company's existing auditing firm is prohibited from acting as a member of the Committee for a period of one year commencing on the later of (a) the date of his ceasing to be a partner of the firm; or (b) the date of his ceasing to have any financial interest in the firm.

2. **Chairman** : The Chairman of the Committee shall be appointed by the Board and must be an INED.
3. **Secretary** : The Company Secretary, or in his absence, his representative, shall act as the Secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary of the Committee.

Authority

4. The Committee is authorized by the Board:
 - (a) to investigate any activity within its terms of reference;
 - (b) to inspect all accounts, books and records of the Company;
 - (c) to **seek any remuneration-related information it requires** from senior management of the Company in order to perform its duties;
 - (d) to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.
5. The Committee is authorized by the Board where necessary to have **access to professional advice** and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

[Note: Arrangement to seek professional advice could be made directly by the Committee or through Company Secretarial Department.]
6. The Committee shall be **provided with sufficient resources** to discharge its duties.

Duties

7. The Audit Committee shall have the following duties:

Relationship with the Company's External Auditors

- 7.1 (a) to be primarily responsible for making recommendation to the Board on the **appointment, reappointment and removal of the external auditor**, and;
 - (b) to approve the **remuneration and terms of engagement of the external auditor**, and
 - (c) to consider any questions of resignation or dismissal of that auditor and consideration of whether there are any matters that need to be brought to the attention of shareholders of the Company;
- 7.2 to review and **monitor the external auditor's independence and objectivity**;
- 7.3 (a) to review and **monitor the effectiveness of the audit process** in accordance with applicable standard; and

- (b) to discuss with the external auditor the **nature and scope of the audit and reporting obligations** before the audit commences;
- 7.4
- (a) to develop and implement **policy on the engagement of external auditor to supply non-audit services** (*for this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally*); and
 - (b) to report to the board, (i) identifying any matters in respect of which it considers that **action or improvement is needed** and (ii) making **recommendations** as to the steps to be taken;

Review of financial information of the Company

- 7.5
- (a) to **monitor integrity of financial statements** of the Company and the Company's annual report and accounts, half-year report and if prepared for publication, quarterly reports, and
 - (b) to **review any significant financial reporting judgments** contained in them.

In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Committee shall **focus** particularly on:

- (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas,
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (c) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary).
 - (d) to review the external auditor's management letter and the management's response;
- 7.6 In regard to 7.5 above:-
- (a) Members of the Committee must **liaise with the Company's Board and senior management**;

- (b) the Committee must **meet, at least once a year, with the Company's external auditors**; and
- (c) the Committee shall **consider any significant or unusual items** that are, or may need to be, reflected in such reports and accounts and must 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 person occupying the same position), or external auditors;

Oversight of the Company's financial reporting system and internal control procedures

- 7.7 to review the Company's **financial controls, internal control and risk management systems**;
- 7.8 (a) to **discuss with the management** the system of internal control; and
 - (b) **ensure that management has** discharged its duty to have an **effective internal control system** including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- 7.9 to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- 7.10 where an internal audit function exists,
 - (a) 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
 - (b) to review and **monitor the effectiveness of the internal audit function**;
- 7.11 to **review the Group's financial and accounting policies and practices**;
- 7.12 to **review the external auditor's management letter**, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 7.13 to ensure that the **Board will provide a timely response** to the issues raised in the external auditor's management letter;
- 7.14 to review the Company's **statement on internal control systems** (where one is included in the annual report) prior to endorsement by the Board;
- 7.15 to consider the **major findings of internal investigations** and management's response;

- 7.16 to **report to the Board** on all matters set out in the Terms of Reference; and
- 7.17 to consider any **other matters** specifically referred to the Committee by the Board.

Annual General Meeting & Terms of Reference

- 7.18 The Chairman of the Committee (or in his/her absence, another Member (who must be an INED) of the Committee) shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Committee's activities and responsibilities.
- 7.19 A copy of these Terms of Reference will be made available to any person without charge upon request.

Meetings

8. **Frequency** : The Committee shall **meet at least twice a year**. Additional meetings should be held if the Committee considers it necessary or upon request of the external auditors.
9. **Quorum** : The quorum of a meeting shall be **two Members**.
10. **Resolutions** : Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present. Meetings can also be held in person, by telephone or by tele-conferencing or any other telecommunications facility provided that all participants are thereby able to communicate contemporaneously by voice with all other participants.

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

The Secretary of the Committee shall keep full minutes of all Committee meetings. Draft and final versions of minutes of meetings of the Committee shall be sent to all Members for their comments and records respectively, in both cases within a reasonable time after each meeting.

11. **Attendance** : The **finance director, financial controller, head of internal audit and a representative of the external auditors** shall normally attend the meetings. The Committee may, from time to time, invite any appropriate person to attend the meeting whenever it is necessary.

However, only Members of the Committee are entitled to vote at the meetings.

At least once a year, the Committee shall **meet with the external auditors in the absence of any Executive Directors** (except by invitation of the Committee).

Reporting Procedures

12. The secretary or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.