

In the event that there is any discrepancy or inconsistency between the English version and the Chinese version of these terms of reference, the English version shall prevail.

HUAYU EXPRESSWAY GROUP LIMITED

華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1823)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1 CONSTITUTION AND OBJECTIVE

1.1 The audit committee (the “**Committee**”) has been established pursuant to a resolution passed by the board (the “**Board**”) of the directors (the “**Directors**”) of Huayu Expressway Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) at its meeting held on 30 November 2009. The Committee is a sub-committee of the Board to which the Board has granted authority and delegated consideration of the matters set out in these terms of reference mainly to:–

- (i) serve as a focal point for communication between other Directors, the authorized independent auditors of the Company (the “**External Auditors**”) and the internal auditors or any person responsible for internal audit function (collectively, the “**IA People**”) as regards their duties relating to financial reporting;
- (ii) assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting system and risk management, by satisfying themselves as to the effectiveness of the internal controls system of the Group, and as to the adequacy of the external and internal audits;
- (iii) review the effectiveness of internal audit and external audit process;
- (iv) oversee the Company’s financial reporting system, risk management and internal control systems;
- (v) review the appointment of the External Auditors on annual basis as well as oversee the relationship with the External Auditors to ensure continuing auditor independence and objectivity;
- (vi) review the integrity of the Company’s financial statements, formal announcements and disclosure relating to the financial performance;
- (vii) review the Group’s assessment of corruption risks and related mitigating controls and oversee compliance with the Group’s anti-bribery and anti-corruption policy (the “**Anti-Corruption Policy**”);

- (viii) review whistleblowing arrangements for the Group's employees and third parties who deal with the Group and ensure that proper arrangements are in place for fair and independent investigation of the concerns raised and for appropriate and necessary follow-up actions;
- (ix) take an active interest and be proactive in understanding the affairs of the Company and conduct investigation where there are red flags; and
- (x) perform corporate governance duties delegated by the Board from time to time.

2 RESPONSIBILITIES

The responsibilities of the Committee should mainly include:

Relationship with the Company's auditors

- 2.1 act as the key representative body for overseeing the Company's relationship with the External Auditors;
- 2.2 be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the External Auditors, and approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal;
- 2.3 review and monitor the External Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the External 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 the External Auditors 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;
 - (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; and
 - (iv) agree with the Board the policy relating to the hiring of employees or former employees of the External Auditors and monitor the applications of such policy. The Committee will consider whether there has been any impairment of the auditor's judgment or independence in respect of an audit as a result of such hiring;

- 2.4 develop and implement policy on the engagement of the External Auditors to supply non-audit services. For the purpose of this paragraph, “External Auditors” 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 knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee shall report to the Board, identifying and making recommendations on any action or improvement is needed;
- 2.5 ensure that the External Auditors’ provision of non-audit services (if any) does not impair their independence objectivity. When assessing the External Auditors’ independence or objectivity in relation to non-audit services, the Committee may consider:
- (i) whether the skills and experience of the External Auditors make them a suitable supplier of non-audit services;
 - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the External Auditors provide non-audit services;
 - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the External Auditors; and
 - (iv) the criteria for compensation of the individuals performing the audit;

Review of the Company’s financial information

- 2.6 monitor integrity of the Company’s financial statements, annual report and accounts, and half-year report (including Directors’ report, chairman’s statement and management discussion and analysis contained therein), if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein. In reviewing these reports before submission to the Board, the Committee should focus, and where necessary, challenge, particularly on:–
- (i) the consistency of, and any changes in accounting policies and practices on a year on year basis and across the Group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has followed appropriate accounting and auditing standards and made appropriate estimates and judgments, having due and careful consideration of the views of the External Auditors;
 - (iv) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and other legal requirements in relation to the financial reporting;

- (v) the clarity of disclosure in the Company's financial reports; and
- (vi) any significant financial reporting issues and judgments and all material information presented with the financial statements, such as significant adjustments resulting from the audit, and the going concern assumption and any qualifications;

2.7 regarding to paragraph 2.6 above:

- (i) members of the Committee should liaise with the Board, senior management, the financial controller of the Company and IA People and the Committee must meet and hold thorough discussion, at least twice a year, with the External Auditors; and
- (ii) the Committee should 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 financial controller of the Company, IA people or External Auditors;

2.8 review audit and control related corporate representations made to the External Auditors, IA People and to the shareholders of the Company;

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

2.9 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 systems) and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;

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

2.11 discuss risk management and the internal control system with management and 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 accounting and financial reporting function of the Company;

2.12 consider major investigations 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;

2.13 where an internal audit function exists, ensure co-ordination between the IA People and the External Auditors, and to ensure that the internal audit function is adequately resourced (i.e. staffed by people with appropriate qualifications, experience, integrity and independence of mind) and has appropriate standing within the Company, and to review and monitor its effectiveness;

- 2.14 review the Group's financial and accounting policies and practices;
- 2.15 review the External Auditors' management letter, any material queries raised by the External Auditors to management about the accounting records, financial accounts or system of control and management's response;
- 2.16 ensure that the Board will provide a timely response to the issues raised in the External Auditors' management letter;
- 2.17 report to the Board on the matters set out in the code provision D.3.3 of the Corporate Governance Code (the "**CG Code**"), Appendix 14 to the Listing Rules;
- 2.18 consider other topics, as defined by the Board;

Performing corporate governance duties delegated by the Board

- 2.19 develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 2.20 review and monitor the training and continuous professional development of the Directors and senior management of the Group;
- 2.21 review and monitor the Company's policies and practices on compliance with applicable legal and regulatory requirements;
- 2.22 develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Group;
- 2.23 review the Company's compliance with the CG Code and disclosure in the corporate governance report;
- 2.24 review and approve the Company's assessment of the corruption risks to which the Group is subject and the framework of controls put in place mitigate those risks, including but not limited to the Anti-Corruption Policy as well as the Group's policies on risk management;
- 2.25 monitor and oversee compliance with, and conduct review on, the Anti-Corruption Policy on a regular basis to ensure that they remain adequate for the purpose of the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and any other applicable laws, rules and regulations, and report to the Board with such recommendations as the Committee may deem appropriate in relation to anti-bribery and anti-corruption. The Committee may delegate its day-to-day responsibility for overseeing and implementing the Anti-Corruption Policy to the secretary of the Company, who will report half-yearly to the Committee on the oversight, implementation and compliance of this Policy;

- 2.26 responsible for the day-to-day implementation, supervision, monitoring, enforcement, review, update and amendment of the Group's whistleblowing policies and systems for its employees and the third parties who deal with the Group to raise concerns, in confidence, regarding actual, possible or potential improprieties in financial reporting, internal control or other matters related to the Group. The Committee shall ensure that proper arrangements are in place for fair, independent and impartial investigation of these matters and for appropriate and necessary follow-up actions;
- 2.27 review the Group's findings of internal investigations and management's response into any suspected frauds, irregularities or failures of internal control or suspected infringements of any applicable laws, rules and regulations; and
- 2.28 perform other corporate governance duties delegated by the Board from time to time.

3 MEMBERSHIP

- 3.1 Members of the Committee (the "**Members**" and each a "**Member**") shall be appointed by the Board from amongst the Directors and shall consist of not less than three Members, all of whom shall be non-executive Directors and a majority of whom shall be independent non-executive Directors. At least one of the Members shall be independent non-executive Director with appropriate qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
- 3.2 The Board shall nominate a Member, who shall be an independent non-executive Director, as the chairman (the "**Chairman**"). The Chairman or in his/her absence, another Member or failing this, his/her duly appointed delegate, shall attend and be available to answer shareholders' questions at the annual general meeting of the Company on the Committee's activities.
- 3.3 A former partner of the existing External Auditors is prohibited from acting as a Member for a period of two years from the date of this person ceasing to be a partner of the auditing firm or to have financial interest in the firm, whichever is later.
- 3.4 The appointment of the Members may be revoked, or additional Members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.
- 3.5 The secretary of the Company shall act as the secretary of the Committee.
- 3.6 The composition of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.

4 MEETINGS

- 4.1 The Committee should meet at least two times per year. The Chairman may convene additional meetings at his/her discretion.
- 4.2 The Committee shall meet with the External Auditors without any executive member of the Board in attendance at least once a year.
- 4.3 The quorum for the Committee meeting shall be two Members. Decisions shall be determined by simple majority of votes of the Members present and, in the event of a tie, the Chairman shall have the casting vote.
- 4.4 Unless otherwise agreed by all the Members, a meeting shall be convened by given the Members at least seven (7) days' prior notice. The Committee meeting papers should be circulated to all Members three (3) days before the intended date of a Committee meeting by hand, by post or in electronic forms. Irrespective of the length of notice given, attendance of a Committee meeting by a Member shall be deemed waiver of the requisite length of notice by that Member.
- 4.5 Members may participate in the Committee meetings by telephone or video conference or electronic or other communications facilities provided that each Member can hear and be heard by all other Members throughout the meeting and such participation shall constitute presence for purposes of the quorum provision as set out in paragraph 4.3 above.
- 4.6 Members present in a Committee meeting may elect any one Member to chair the meeting provided that the Chairman is not present within half an hour from the time of the intended Committee meeting to be convened and held.
- 4.7 A Member or the secretary of the Company may at any time summon a Committee meeting.
- 4.8 Notice shall be given to each Member 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 Member or in such other manner as the Members may from time to time determine. Any notice given orally shall be followed by confirmation in writing provided by the relevant Member before the meeting.
- 4.9 The secretary of the Company shall circulate the draft minutes of the meetings of the Committee to all Members for their comment within a reasonable time. Final minutes and reports of the meetings and all written resolutions of the Committee shall be sent to all Members for their records within a reasonable time after the meetings.
- 4.10 Resolutions may be passed and signed by all Members in writing in lieu of convening a Committee meeting and such resolutions shall be as valid and effectual as if they had been passed at a meeting of the Committee duly convened and held.

- 4.11 Full minutes of the meetings of the Committee and written resolutions of the Committee should be kept by the secretary of the Company and shall be open for inspection at any reasonable time on reasonable notice by any Director.
- 4.12 At the invitation of the Committee, other Directors, external advisers and other persons may attend all or part of any meeting of the Committee. However, only Members are entitled to vote at the meetings.

5 AUTHORITIES AND DUTIES

- 5.1 The Committee shall have the full cooperation of the management and be supplied with sufficient information and reasonable resources as well as have full access to any information, record or reports from any employee of the Group in order to carry out its role and functions in accordance with these terms of reference.
- 5.2 The Committee may delegate to the Chairman authority to make decisions on matters which may need attention between Committee meetings, with such decisions to be reported or ratified in the next meeting of the Committee.
- 5.3 The Committee shall have access to independent legal or other professional advice, at the Company's expense, if necessary, on any matters within these terms of reference.
- 5.4 The Committee shall give due consideration to all relevant laws and regulations, investigate any activity within these terms of reference and shall have the right to call or request any employee of the Group to attend Committee meetings and answer questions as and when required and all employees are directed to cooperate with the Committee.
- 5.5 The Committee shall undertake regular and thorough review to ensure that the Company is in compliance with the Listing Rules and the legal requirements in relation to the financial reporting. The Committee shall review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.
- 5.6 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the External Auditors, the Committee will arrange for the corporate governance report in the Company's annual report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

6 REPORTING PROCEDURES

- 6.1 The Committee shall report to the Board formally on a regular basis and present a report of the Committee to the Board at least twice a year. At the next Board meeting following a meeting of the Committee, the Chairman shall report to the Board on Committee's findings and recommendations, and any suspected frauds and irregularities, failures of internal control or suspected infringements of any applicable laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

6.2 Where there is disagreement between the Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the said disagreement. Where any such disagreement cannot be resolved, the Committee has the right to report on the issue to the shareholders as part of the report on its activities.

7 CONTINUING APPLICATION OF THE ARTICLES OF ASSOCIATION

The amended and restated articles of association of the Company (the “**Articles of Association**”) 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.

8 POWERS OF THE BOARD

The Board may, subject to compliance with the Articles of Association and the Listing Rules (including the CG Code), 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.

Revised and adopted by the Board on 11 November 2022.