

Chengdu Expressway Co., Ltd.
成都高速公路股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01785)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE UNDER THE BOARD OF DIRECTORS OF CHENGDU EXPRESSWAY CO., LTD.

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to perfect the decision-making procedures of the Board of Chengdu Expressway Co., Ltd. (the "Company"), fully safeguard the legal interests of the Company and its shareholders, and improve the corporate governance structure of the Company, the Board of Directors of the Company has established the Audit and Risk Management Committee (the "Committee") and promulgated these terms of references in accordance with the PRC Company Law (the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HK Listing Rules") and the Articles of Association of Chengdu Expressway Co., Ltd. (the "Articles") and other relevant rules.

Article 2 The Audit and Risk Management Committee is a special working body set up by the Board of Directors pursuant to the Articles. Its principal duties are to advise on the engagement and replacement of the external audit firms, supervise the internal audit policies of the Company, to communicate, supervise and verify internal and external audit of the Company, to review financial information and its disclosure, to review risk management and internal monitoring system, to review risk management strategies and solutions of the Company, to control, manage, supervise and evaluate the risk of major decisions, major events and major business procedures.

CHAPTER 2 COMPOSITION AND ORGANIZATION

Article 3 The Audit and Risk Management Committee shall comprise three non-executive directors, the majority of which shall be independent non-executive directors, and an employee director who meets the professional requirements of the Audit and Risk Management Committee may become a member of this committee. At least one of the independent non-executive directors shall possess appropriate professional qualifications or accounting or related financial management expertise as required under the HK Listing Rules. Members of the Audit and Risk Management Committee shall be recommended by the chairman of the Board of Directors after discussion with relevant directors and subject to consideration and approval by the Board of Directors.

Article 4 The Audit and Risk Management Committee shall have one chairman who shall be an independent non-executive director and in charge of the work of the Committee. The chairman shall be nominated by the chairman of the Board of Directors and appointed by the Board of Directors. The main powers and duties of the chairman are as follows:

(i) convening and presiding over regular and ad-hoc meetings of the Committee;

(ii) determining the procedures of each meeting of the Committee;

(iii) signing material documentation of the Committee;

(iv) ensuring that the Committee reaches a clear conclusion to each proposal which includes passed, rejected or discussed after the materials are supplemented;

(v) other authorities and duties provided in these terms of reference.

Article 5 All members of the Audit and Risk Management Committee shall possess the expertise and business experience enabling them to fulfil the duties of the Audit and Risk Management Committee. The Company shall arrange members of the Audit and Risk Management Committee to participate in related trainings so that they could timely obtain expertise required for discharging of their duties in respect of laws, accounting, and regulation of listed companies.

Article 6 The terms of office of the members of the Audit and Risk Management Committee shall be in conformity with that of their directorship. Members of the Committee may be re-elected or re-appointed at the expiry of their terms of office.

No members shall, before the expiration of their terms of office, be removed from office without reason except for the circumstances that require dismissal as stipulated in the laws and regulations, regulatory requirements, the Articles or these terms of reference.

If any member ceases to be a director of the Company or cannot continue to be a director under other circumstances before the expiry of his/her terms of office, he/she shall be automatically disqualified from acting as a member, and such vacancy shall be filled by the Board of Directors pursuant to Article 3 of these terms of reference.

Any change in the membership of the Audit and Risk Management Committee shall be announced in accordance with the regulatory requirements at the place where the Company's shares are listed.

Article 7 A member of the Audit and Risk Management Committee may concurrently serve as a member of other committees under the Board of Directors, provided that such member is able to concurrently perform such duties.

Article 8 A former partner of an accounting firm which currently audits the Company's accounts should be prohibited from acting as a member of the Audit and Risk Management Committee for a period of two years from the later of the date when he/she ceases:

(a) to be a partner of that accounting firm;

(b) to have any financial interest in that accounting firm.

Article 9 The internal audit and management departments of the Company are supporting and coordination departments under the Audit and Risk Management Committee, and are responsible for such work as preparing and issuing meeting notice and meeting documents, daily contacts with the chairman of the Audit and Risk Management Committee, preparing and reporting meeting minutes and meeting resolutions. The secretary of the Board of Directors is responsible for coordinating among the Audit and Risk Management Committee, supporting and coordination departments under the Audit and Risk Management Committee, and presenting at the meetings of the Auditing and Risk Management Committee.

CHAPTER 3 DUTIES AND RESPONSIBILITIES

Article 10 The Audit and Risk Management Committee shall make an independent evaluation and supervision as to the compliance, legality and effectiveness of the economic activities of the enterprise on behalf of the Board of Directors. The primary duties of the Audit and Risk Management Committee are as below:

(i) advising to the Board of Directors on the engagement, renewal, change or dismissal of external audit firms and submitting the same to the Board of Directors for approval; reviewing audit fees of the external audit firms; handling any issues related to the resignation or dismissal of such accounting firms, taking appropriate measures to supervise the work of external audit firms and reviewing the report of the external audit firms;

(ii) reviewing and supervising the independence and objectivity of the external accounting firms and the effectiveness of the audit procedures, and discussing issues related to the nature, category and reporting responsibilities of audit with external audit firms before the auditing work starts according to applicable standards;

(iii) formulating and implementing policies of non-audit services provided by the external audit firms; reporting and advising to the Board of Directors the actions they deem necessary and matters to be improved;

(iv) to serve as the key representative body between the Company and the external audit firm;

(v) reviewing and supervising the completeness of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports (if any), and reviewing the important opinions on the financial reporting recorded in the financial statements and financial reports. The Committee shall particularly review the below matters before submitting the relevant statements and reports to the Board of Directors:

1. any change in the accounting policies and practices;

2. matters involving significant judgement;

3. significant adjustment resulting from audit;

4. the going concern assumptions and any qualifications of the opinion;

5. compliance with accounting standards;

6. compliance with laws and the HK Listing Rules regarding financial reporting;

(vi) with respect to item (v) above:

1. members of the Committee shall liaise with the Board of Directors and senior management members of the Company and the audit firm engaged by the Company and the Committee shall convene meetings with the Company's independent external audit firm at least twice a year;

2. the Committee shall consider any significant or unusual items which are, or may need to be, reflected in such reports and accounts, and shall give due consideration to any matters that have been raised by the Company's financial personnel, internal auditor, or the supervision personnel, or the external audit firm engaged;

(vii) reviewing the Company's financial control, internal control and risk management system and monitoring the implementation of such system on an on-going basis; and ensuring that the effectiveness of the risk management and internal control system of the Company and its subsidiaries is reviewed at least once a year. The relevant review should cover all aspects of material controls, including financial, operational and compliance controls, which should, in particular, consider:

1. the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;

2. the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function and other assurance providers;

3. the extent and frequency of communication to the board regarding the monitoring results;

4. significant control failures or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;

5. the effectiveness of the Company's procedures for financial reporting and the HK Listing Rules compliance;

(viii) reviewing the Company's compliance with the applicable corporate governance code and the disclosure of corporate governance report as required by the regulatory rules at the place where the Company's shares are listed;

(ix) discussing on the risk management and internal control system with the management of the Company to ensure the establishment of an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function; supervising the effective implementation of internal control and self-assessment of internal control, and coordinating internal control audit and other related matters;

(x) on its own initiative or as assigned by the Board of Directors, considering material results of investigations of risk management and internal control matters and the feedback thereon by management to such results;

(xi) ensuring co-ordination between the internal audit department and external audit firms, ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and reviewing and supervising the effectiveness of the operation of the internal audit department;

(xii) reviewing the Explanatory Letter of Reviewing Matter (《審核情況說明函件》) issued by the external audit firms to the Company's management, any material queries raised by the external accounting firms to management about accounting records, financial accounts or internal control system and management's response;

(xiii) ensuring that the Board of Directors timely give feedback on the matters raised by the external audit firms in the abovementioned Explanatory Letter of Reviewing Matter and its audit reports;

(xiv) exercising the functions and powers stipulated by the Company Law, including:

1. inspecting the Company's finances;

2. supervising the performance of duties by directors and senior management members, and proposing the dismissal of any director or senior management member who violates laws, administrative regulations, the Articles or resolutions of the general meeting;

3. requiring directors and senior management members to rectify their actions when such actions harm the interests of the Company;

4. proposing the convening of an extraordinary general meeting, and convening and presiding over general meetings when the Board of Directors fails to perform its duties of convening and presiding over general meetings as stipulated by the Company Law;

5. submitting proposals to the general meeting;

6. initiating legal proceedings against directors or senior management members in accordance with the provisions of the Company Law;

7. other functions and powers stipulated by laws and regulations.

(xv) reviewing arrangements staff of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;

(xvi) reviewing the internal control valuation report and comprehensive risk management valuation report submitted by the internal audit department, and submitting the same to the Board of Directors;

(xvii) reviewing the risk management strategies and material risks management solutions of the Company, reviewing and monitoring the Company's policies and practices in respect of compliance with legal and regulatory requirements and submitting the same to the Board of Directors for approval;

(xviii) confirming the list of the Company's related/connected parties and reporting to the Board of Directors; conducting a preliminary review of the related/connected transactions to be submitted to the Board of Directors for consideration; and reviewing the reasonableness and necessity of major related transactions;

(xix) reviewing the judgment criteria or the judgment mechanism related to major decision-makings, major risks, major events and important business procedures, as well as the risk assessment report of major decisions;

(xx) considering the establishment of the risk management organizations, and proposals of their responsibilities, and approved by the Board of Directors;

(xxi) supervising and controlling the risks that the Company is affected by the overseas sanction laws to ensure a timely, complete and accurate disclosure of information related to transactions subject to sanctions in accordance with such laws;

(xxii) reporting to the Board of Directors on related issues within the scope of the Committee's duties; and report to the Board of Directors about the Committee's decisions or recommendations, except those which cannot be reported according to the laws or regulatory restrictions;

(xxiii) other duties authorized by the Board of Directors;

(xxiv) other relevant requirements for powers and duties of the Committee according to laws and regulations, regulatory requirements and the regulatory rules of the place where the shares of the Company are listed as amended from time to time.

Article 11 The Audit and Risk Management Committee is to be provided with sufficient resources to discharge its duties and may source supports from the Company's relevant departments or personnel according to work requirements. If necessary, the Audit and Risk Management Committee may also engage intermediaries to provide independent and professional advice in relation to its decision-making at the reasonable cost of the Company.

Article 12 The Audit and Risk Management Committee shall examine and supervise the independence of the external audit firm in accordance with the procedures below:

(i) studying all relations between the Company and the audit firm (including non-audit services);

(ii) asking for information from the audit firm every year, and get to know the policies and procedures adopted by the audit firm for keeping its independence and with respect to the implementation of relevant supervision rules, including the rules on replacement of the partners and staffs of the audit firm;

(iii) meeting with the external audit firm, at least twice a year, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the audit firm may wish to raise.

Article 13 The Audit and Risk Management Committee shall report to the Board of Directors. The motions raised by the Audit and Risk Management Committee shall be submitted for review and approval by the Board of Directors, unless otherwise authorized by the Board of Directors.

Article 14 The management of the Company shall be responsible for the preparation of the financial reports whereas the accounting firm shall be responsible for the audit of the Company's financial reports.

Article 15 At the invitation of the chairman of the Board of Directors, the chairman of the Audit and Risk Management Committee, or in his/her absence, another member of the Committee or his/her authorized representative, shall attend the Company's annual general meeting and answer questions.

Article 16 The Audit and Risk Management Committee shall make its terms of reference available on the websites of the Company or the stock exchange on which the Company's shares are listed, to explain its role and powers delegated to it by the Board of Directors in accordance with the relevant requirements under the regulatory rules in the place where the Company's shares are listed.

CHAPTER 4 RULES OF PROCEDURES

Article 17 Meetings of the Audit and Risk Management Committee can be classified into regular meetings and ad-hoc meetings. The Audit and Risk Management Committee shall hold at least one regular meeting in the first half of a year and one regular meeting in the second half of a year.

Article 18 The Audit and Risk Management Committee shall hold an ad-hoc meeting if proposed by the chairman of the Committee, two members or more of the Committee, or the Board of Directors or the chairman of the Board of Directors.

Article 19 A notice shall be given to all members of the Audit and Risk Management Committee by the supporting and coordination departments three days prior to the convening of a meeting. In case of emergency that requires the Committee to convene a meeting as soon as possible, the Committee may give a notice of the meeting on that day by phone, fax, e-mail or other methods approved by the regulatory rules of the place where the shares of the Company are listed, but the chairman of the Committee must give an explanation at the meeting.

Article 20 A meeting of the Audit and Risk Management Committee shall be presided over by the chairman or if he/she is unable to attend, another member (being an independent non-executive director) of the Committee designated by him/her.

Article 21 A meeting of the Audit and Risk Management Committee shall not be held unless attended by more than two-thirds of its members. Members of Audit and Risk Management Committee shall attend the meeting in person or in a manner of teleconference or by aid of similar communication equipment. If the member is unable to attend the meeting for certain reasons, he/she may authorize another committee member in writing to attend the meeting on his/her behalf. The power of attorney shall set forth the scope of authorization.

Article 22 If a meeting of the Audit and Risk Management Committee is held, the relevant personnel of the Company may be invited to attend the meeting when necessary.

Article 23 The decision of the Audit and Risk Management Committee meetings shall be made by voting or by show of hands. Each member shall have one vote. Resolutions passed at the meeting must be approved by a majority of all members of the Committee.

Article 24 A meeting of the Audit and Risk Management Committee may be held by way of written resolutions. Written resolutions shall be dispatched by facsimile, courier or by hand or other methods to all members, and shall be returned in original copies to the Company for filing after deliberation by the members. A proposal signed by consenting members satisfying the threshold hereunder shall become an effective resolution of the Committee.

Article 25 The procedures for convening the Audit and Risk Management Committee meetings, the voting methods and the resolutions passed at such meetings shall be in compliance with the provisions of the relevant laws, regulations, regulatory requirements, the Articles and these terms of reference.

Article 26 Resolutions passed at the meetings of the Audit and Risk Management Committee and any vote results shall be reported to the Board of Directors of the Company in writing.

Article 27 Persons participating in the meetings of the Audit and Risk Management Committee shall undertake confidentiality obligations for all items discussed at the meetings and shall not disclose any information in relation to the meetings unless authorized by the chairman of the Board of Directors or the Board of Directors of the Company.

Article 28 Where the Board of Directors disagrees with the Audit and Risk Management Committee's decisions on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit and Risk Management Committee explaining its recommendation and also the reason(s) why the Board of Directors has taken a different view.

Article 29 The supporting and coordination departments of the Audit and Risk Management Committee shall record complete minutes. Members of the Committee who attend the meeting shall sign on the minutes. The supporting and coordination departments shall retain the meeting minutes in line with the Company's file management policy and provide a copy to the Board office of the Company for backup and inspection by directors at any time.

CHAPTER 5 WORKING PROCEDURES

Article 30 The supporting and coordination departments under the Audit and Risk Management Committee shall be responsible for the preparation work for the decision of the Committee by providing the following information of the Company in written form:

(i) relevant financial reports of the Company;

(ii) working reports of the internal audit department;

(iii) contracts with the external auditors and relevant working reports;

(iv) reports on the annual risk management;

(v) assessment reports on material risks and decisions;

(vi) assessment reports on the internal control system of the Company and its implementation;

(vii) audit reports of major related-party transactions of the Company;

(viii) other relevant matters.

Article 31 The Audit and Risk Management Committee shall evaluate reports provided by the supporting and coordination departments and submit relevant written resolutions to the Board of Directors for discussion.

Article 32 The internal audit department of the Company shall report significant matters from audit work to the Audit and Risk Management Committee for deliberation.

Article 33 In case of the Company's appointment, dismissal or non-reappointment of accounting firms that undertake the audit of the Company, the Audit and Risk Management Committee shall form an opinion on relevant matters first, and make a proposal to the Board of Directors for deliberation.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 34 Unless otherwise specified, the terms used herein shall have the same meanings ascribed thereto under the Articles.

Article 35 Any matters not covered by these terms of reference or in the event that these terms of reference are inconsistent with the laws, regulations, the HK Listing Rules as amended from time to time, or the Articles which are formulated or revised by lawful procedures, after these terms of reference become effective, such laws, regulations, regulatory requirements, the HK Listing Rules or the Articles shall prevail and these term of reference shall be amended forthwith and submitted to the Board of Directors of the Company for approval.

Article 36 These terms of reference shall become effective on the date of consideration and approval by the Board of Directors of the Company, and the original terms of reference shall be repealed simultaneously.

Article 37 Interpretation of these terms of reference shall be vested in the Board of Directors of the Company.