



**Hopewell Highway Infrastructure Limited**

**合和公路基建有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 737)

## **Audit Committee – Terms of Reference**

### ***Foreword***

Hopewell Highway Infrastructure Limited (the “**Company**”) has established an Audit Committee (the “**Committee**”) in March 1999 with written terms of reference.

On 1 July 2005 and 26 February 2009, the board of directors of the Company (the “**Board**”) adopted revised terms of reference of the Committee in order to comply with the then amendments to the Code on Corporate Governance Practices (renamed as the Corporate Governance Code and Corporate Governance Report (the “**Code**”)) (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 Code (which will take effect on 1 April 2012), the Board has further adopted the following revised terms of reference of the Committee on 23 February 2012 in accordance with such Code amendments.

### ***Membership & Secretary***

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

The Committee shall be appointed by 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; and
  - (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 Committee shall have the following duties:

#### *Relationship with the Company's External Auditors*

- 7.1
- (a) to be primarily responsible for making recommendations to the Board on the **appointment, reappointment and removal of the external auditor**;
  - (b) to approve the **remuneration and terms of engagement of the external auditor**; and
  - (c) to consider any questions of its resignation or dismissal ;

- 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 standards; 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 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*); and
- (b) to report to the Board, identifying and making recommendations on any matters where **action or improvement is needed**;

Review of the Company's financial information

- 7.5 (a) to **monitor integrity of the Company's financial statements** and annual report and accounts, half-year report and if prepared for publication, quarterly reports;
- (b) to **review any significant financial reporting judgments** contained in them. In reviewing these 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 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);
- 7.6 In regard to 7.5 above:-
- (a) Members of the Committee should **liaise with the Board and senior management**;
- (b) the Committee **must meet, at least twice a year, with the Company's auditors in the absence of any Executive Directors** (except by invitation of the Committee); and

- (c) the 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 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 the internal control system with the management**; and
  - (b) 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;
- 7.9 to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 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 its effectiveness**;
- 7.11 to **review the financial and accounting policies and practices of the Company and its subsidiaries**;
- 7.12 to **review the external auditor's management letter**, any material queries raised by the external auditor to management about 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 in these Terms of Reference;

- 7.17 to consider any **other matters** specifically referred to the Committee by the Board;
- 7.18 (a) to **review arrangements the Company's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters**, and to ensure proper arrangements are in place for **fair and independent investigation of these matters and for appropriate follow-up actions**; and
- (b) to **act as the key representative body for overseeing the Company's relations with the external auditor**;

Corporate Governance Functions

- 7.19 (a) to **develop and review the Company's policies and practices on corporate governance and make recommendations to the Board**;
- (b) to **review and monitor the training and continuous professional development of directors and senior management**;
- (c) to **review and monitor the Company's policies and practices on compliance with legal and regulatory requirements**;
- (d) to **develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors**; and
- (e) to **review the Company's compliance with the Code and disclosures in the Corporate Governance Report**;

Annual General Meeting & Terms of Reference

- 7.20 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**; and
- 7.21 A copy of these Terms of Reference will be made available to any person without charge upon request, and these Terms of Reference will be posted on the websites of the Company and The Hong Kong Exchanges and Clearing Limited.

## ***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 the meetings shall be sent to all Committee Members for their comments and records within a reasonable time after the 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.

## ***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.