



安徽皖通高速公路股份有限公司
ANHUI EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 995)

Terms of Reference of the Audit Committee

Chapter 1 General Principles

- Article 1** In accordance with the rules of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the requirements in the Notice Regarding the Improvement of the 2007 Annual Report and Relevant Work of Listed Companies (Zheng Jian Gong Si Zi No.235 [2007]) promulgated by the CSRC and the Notice Regarding the Improvement of the 2007 Annual Report of Listed Companies promulgated by the Shanghai Stock Exchange, the board of directors (the “Board”) of Anhui Expressway Company Limited (the “Company”) has set up the Audit Committee (the “Committee”) under the Board to assist the Board by independently reviewing the efficiency of the financial reporting procedures, works relating to the preparation of financial statements and the risk management and internal control systems of the Company.
- Article 2** The Committee is a non-standing organization accountable to and established under the Board.
- Article 3** The terms of reference of the Audit Committee (these “Terms of Reference”) clearly set out and define the extent of power and duties of the Committee, and shall be regarded as important guidelines and reference for the Committee in discharging its duties, which shall be duly approved at the Board meeting.

Article 4 The Committee shall act in accordance with these Terms of Reference in exercising the powers granted by the Board, carrying out its duties and reporting and advising the Board, with the objectives of enhancing the efficiency, standard of reporting, transparency and objectivity of the Board.

Chapter 2 Composition

Article 5 The Committee comprises three to five members. All of the Committee members must be non-executive directors of the Company, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules. The majority of the Committee members must be independent non-executive directors. The Committee must be chaired by an independent non-executive director of the Company.

Article 6 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date the person ceasing:

- to be a partner of the firm; or
- to have any financial interest in the firm,

whichever is later.

Article 7 The chairman and members of the Committee shall be appointed by the Board, and the Board shall issue letter of appointment accordingly. Candidate so nominated shall lodge the written notice of acceptance of appointment to the Board within 7 days.

Article 8 Members of the Committee shall be entitled to appropriate remuneration to reflect the time committed and the responsibilities undertaken in respect of the Committee. The Company and the Committee members shall enter into written agreements in relation to the remuneration which shall be effective upon the Board's approval.

Article 9 The Committee shall have a secretary to assist in the communication between the Committee and the Board and the relevant departments of the Company including the Audit Department, and to assist the Committee in obtaining the information necessary to the fulfillment of its duties.

Chapter 3 Powers and Functions

Article 10 The Committee is authorized by the Board to exercise its functions and powers under these Terms of Reference. The Committee is accountable to the Board and shall enjoy no special privilege, and is not entitled to perform the business management function in place of the Board.

Article 11 The Committee shall have the power to review the business carried out by the Company and its subsidiaries and associates, or may authorize the Company's Audit Department to conduct the relevant audit work.

Article 12 The Committee shall have the power to request the units or departments undergoing audit to provide relevant plans, budgets, final accounts, accounting statements, accounting documents, accounting software, contracts and any other relevant documents. The relevant units and departments shall provide such documents within the prescribed time limit, and must not refuse to provide or withhold or transfer such information or provide false information.

Article 13 The Committee shall have the power to inquire the units or departments undergoing audit and to request supporting documents. The relevant units and personnel should fully assist and co-operate and provide genuine information and materials.

Article 14 The Committee shall have the power to engage independent legal advisors or other independent professionals, or to invite any external parties with relevant experience and professional knowledge to participate in conducting investigation.

Article 15 The Committee, in discharging its duties, may expand the scope of review of corporate affairs of the Company after being granted a special mandate by the Board.

Article 16 The Committee shall discuss with the accounting firm responsible for the Company's annual audit to set the timetable for conducting annual audit of financial statements before the end of the financial year; and shall discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

Chapter 4 Duties and Responsibilities

Article 17 The Committee shall on a regular basis review, update or adopt amendments on these Terms of Reference to reflect the development and changes of the Company in a timely manner. Such amendments shall be submitted to the Board for approval.

Article 18 Review and consider the following with the independent auditors and management of the Company after completion of the annual audit, and particularly review and consider the following with the management prior to the publication of half-year report and quarterly reports (if any):

- the Company's financial report and accounts;
- changes in the accounting policies and accounting practices, and degree of compliance with the accounting standards;
- for areas that require the exercise of major judgment or provision of estimates, the Committee shall determine whether the judgments made by the management are reasonable, and may inquire whether there is any other base of calculation that is more appropriate or whether more supplementary information is required before reaching a conclusion;
- whether reports of the chairman and of the Board give a fair view of the Company's financial performance, and are consistent with the status reflected in all accounts;
- the consistency of the financial statements, and whether they are consistent with the reports submitted to the tax authority or other regulatory bodies;

- whether all relevant projects are fully disclosed in the financial statements, and whether the information disclosed enables the account users to have an impartial understanding of the nature of the transactions reported;
- all material audit adjustments and controversial unadjusted audit differences;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the Listing Rules and legal requirements in relation to financial reporting.

Article 19 When reviewing and considering the financial report and accounts, the Committee should consider any significant or unusual items that are or may need to be reflected in the report and accounts, and 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 auditors.

Article 20 Review and consider other published documents to determine whether information contained in such documents is consistent with that contained in the annual report, half-year report and, if prepared for publication, quarterly reports.

Article 21 Inquire the management about the risks involved in the Company's operations, and evaluate the relevant measures adopted by the management.

Article 22 Study and review the adequacy and effectiveness of the Company's financial controls, risk management and internal control systems, including monitoring of the computerized information system and security measures.

- Article 23** Review the arrangements which employees 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 action by the Company.
- Article 24** Study the letters issued by the independent auditors and the Audit Department to the management and any relevant material issues, queries and suggestions raised to management about accounting records, financial accounts or systems of control, as well as the response of the management; and ensure that the Board will provide a timely response to the issues raised in the independent auditor's letters issued to the management.
- Article 25** Review and consider the appointment, reappointment and removal of independent auditors and advise the Board accordingly, assess and review the quality of the services provided by independent auditors and the reasonableness of their remuneration and terms of engagement, and review and consider any questions relating to the resignation or dismissal of the auditors.
- Article 26** Review and consider the appointment, change or dismissal of the head of the Company's Audit Department.
- Article 27** Act as the key representative body for overseeing the Company's relations with the independent auditors.
- Article 28** Review, consider and co-ordinate the scope of work and audit plans of independent auditors and the Company's Audit Department to ensure the complete coverage of the scope of work, avoid duplication of work and promote effective use of resources. Review and monitor the independent auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

Article 29 Develop and implement policy on engaging independent auditors to supply non-audit services. For the purpose of this article, “independent auditors” 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 should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Article 30 Consider and review the following with the management and the Audit Department:

- problems encountered during the auditing process, including limitation in the scope of work or inability to obtain the requisite information;
- any changes required in the scope of the audit plan; and
- the budget and staffing of internal audit, to ensure that the internal audit function is adequately resourced and has appropriate standing.

Article 31 Oversight of the Company’s financial reporting system, risk management and internal control systems:

- (a) to review the Company’s financial controls, and unless expressly addressed by separate Board risk committee, or by the Board itself, to review the Company’s risk management and internal control systems;
- (b) to discuss the risk management and internal control systems with management 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 Company’s accounting and financial reporting function;
- (c) to consider major investigation 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;

- (d) where an internal audit function exists, to ensure co-ordination between the internal and independent auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (e) to review the group's financial and accounting policies and practices;
- (f) to review the independent auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the independent auditor's management letter;
- (h) to report to the Board on the matters in this provision of the Corporate Governance Code; and
- (i) to consider other topics, as defined by the Board.

Article 32 The Committee shall review the financial statements prepared by the Company before the commencement of audit undertaken by the accountants responsible for conducting annual audit for the Company (the "Certified Accountant for Annual Audit") and form its written opinions. The Committee shall enhance effective communication with the Certified Accountant for Annual Audit when it undertakes the audit, and shall review the financial statements of the Company and issue written opinion thereof again after the Certified Accountant for Annual Audit has issued their preliminary audit opinions.

Article 33 The Committee shall demand the accounting firm to submit the auditors' report within the prescribed time, and shall record the form, number and results of such demand in writing, which shall be signed by all relevant parties.

Article 34 After completion of the audit report of annual financial accounts, the Committee shall convene a meeting to vote on the relevant resolution and submit the same to the Board for approval. Upon submission of the financial report, the Committee shall also submit to the Board the summary report on the audit work performed by the Company's accounting firm during the relevant year and the resolution regarding the reappointment or change of accounting firm for the next year.

Article 35 Complete and consider other tasks delegated by the Board.

Article 36 Report back to the Board on the Committee's decisions or recommendations, unless there are legal or regulatory restrictions on the Committee's ability to do so (such as a restriction on disclosure due to the regulatory requirement).

Chapter 5 Procedures for Meeting and Reporting

Article 37 The Committee shall meet at least twice a year. The meetings shall be convened and chaired by the chairman of the Committee. Notice of meeting shall be given to all Committee members not less than five days before the date of meeting. The independent auditors may request the Committee to convene a meeting if they consider it necessary.

Article 38 The Committee should convene a meeting within reasonable time prior to the publication of the quarterly (if any), interim and annual results of the Company to discuss any issues relating to the accounts.

Article 39 The chairman of the Committee shall prepare the meeting agenda and instruct the relevant officers to prepare for the requisite materials. Meetings materials shall be delivered to the Committee members three days prior to the date of the meeting.

Article 40 Meetings of the Committee require the presence of all members of the Committee.

Article 41 The Committee may invite other members of the Board, the chief financial officer, the head of the Audit Department, the independent auditors and other relevant parties to attend the meeting and/or (when reviewing the Company's financial report and accounts) liaise with the same as necessary. The Committee may also request to hold an in-house meeting with the auditors in the absence of executive directors, or hold an in-house meeting with the executive directors in the absence of the auditors, to ensure a free and frank exchange of views. The Committee must meet, at least twice a year, with the independent auditors.

Article 42 The secretary of the Committee shall prepare minutes of the meeting and circulate the same to all members of the Committee and the Board within reasonable time for review.

Article 43 The Committee shall report to the Board on a regular basis.

Article 44 The chairman of the Committee shall, at least once a year, submit a report on the work performed by and findings of reviews of the Committee during the said period, which shall include but not limited to the following:

- conclusions on the work performed by the independent auditors, audited annual financial statements and auditor's report upon discussion with the independent auditors;
- recommendations related to the appointment of independent auditors, including evaluation of quality of the work, reasonableness of remuneration and terms of engagement, and the issues on their resignation, replacement and removal;
- evaluation of the Company's Audit Department and response to the internal audit results and its effectiveness; and
- conclusions on the effectiveness of the financial controls, risk management and internal control systems.

Chapter 6 Supplementary Provisions

Article 45 These Terms of Reference shall take effect upon approval by the Board.

Article 46 The Board reserves the right to interpret these Terms of Reference.

Article 47 The former Work Rules and Procedures of the Audit Committee will be fully replaced upon the adoption of these Terms of Reference.

This document was originally prepared in Chinese, should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.