Jiangsu Expressway Company Limited
Rules of Procedures of the Audit Committee

Chapter I  General Provisions
Chapter II  Composition
Chapter III  Terms of Reference
Chapter IV  Duties and Responsibilities
Chapter V  Decision-making Procedures
Chapter VI  Supplementary Provisions

Revision History:

May 28, 2002  Approved at the 2001 Annual General Meeting of Shareholders

March 23, 2012  Amended at the 23rd Meeting of the 6th Session of Board of Directors
Chapter I General Provisions

Article 1   In accordance with the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Articles of Association of the Company and other relevant rules and regulations, an Audit Committee (hereinafter referred to as the “Committee”) is established under the Board of Directors (hereinafter referred to as the "Director(s)", or collectively as the “Board”) of Jiangsu Expressway Company Limited (hereinafter referred to as the “Company”) so as to better perform its duties, enhance efficiency, ensure effective supervision of the management by the Board, and improve corporate governance structure.

Article 2   The Committee is a special standing committee established under the Board and has responsibilities for coordinating, supervising and inspecting the Company’s internal and external audit work; and for conducting independent review of the quality and efficiency of the Company’s financial reporting and internal control work. The Committee shall be accountable to the Board.

Article 3   These Rules of Procedures (hereinafter referred to as the “Rules”) for the Committee specifies the powers and terms of reference of the Committee and shall serve as an important basis and guidelines for the practice of the Committee.

Article 4   The Committee shall, based on these Rules, exercise the powers delegated by the Board, perform duties and responsibilities, report and make recommendations to the Board, and assist the Board to complete relevant work, in order to improve the operation efficiency, reporting quality, transparency and objectivity of the Board.
Chapter II Composition

Article 5 The Committee shall consist of no less than three and no more than five non-executive Directors, and be chaired by a chairman. The majority shall be independent Directors, and at least one independent Director shall be an accounting professional with qualifications meeting the requirements of regulatory institutions including China Securities Regulatory Commission and The Stock Exchange of Hong Kong Limited. An independent Director shall be appointed as the Chairman of the Committee. All appointments to the Committee shall be made by the Board. (Hong Kong Listing Rule 3.21)

Article 6 The former partner of the Company's existing auditing firm shall be prohibiting from acting as a member of the Committee for a period of one year from:

(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, whichever is later.

(Hong Kong Code on Corporate Governance Practices C.3.2)

Article 7 The members of the Committee shall be familiar with the business features and practices of the Company, rich in business experience, and have corporate management skills and extensive financial knowledge.

Article 8 The Committee may set up work units to assist its communication with the Board, the Finance & Accounting Department and other relevant departments of the Company, and to assist the Committee in obtaining information necessary for the performance of its duties.

Article 9 The term of office of the members of the Committee shall be three years, renewable upon re-election upon it expiry. Election of the members of the Committee shall be conducted on a fixed-term basis. In the event that a member of the Committee ceases to be a Director during his term of
membership on the Committee, his membership on the Committee shall lapse immediately. The term of office of Committee members should correspond to the term of office of Directors.

Chapter III Terms of Reference

Article 10 The Committee is authorised by the Board to exercise its powers under these Rules. The Committee shall serve as an advisory body to the Board and shall be accountable to the Board rather than having independent powers. The Committee is not authorised to replace the Board in the Board's functions of management and decision-making.

Article 11 The Committee is authorised to examine all business activities of the Company and its subsidiaries, associates and joint ventures pursuant to laws and regulations and relevant rules; or authorise the Office of the Secretary to the Board (hereinafter referred to as the “Office of the Secretary”) to carry out the relevant audits.

Article 12 The Committee is authorised to request plans, budgets, final accounts, accounting statements, accounting vouchers, accounting software, contracts and any other relevant documents from the units or departments for audit. The units and departments concerned shall submit such documents on time and shall not refuse, hide, remove such documents or provide false documents.

Article 13 The Committee is authorised to enquire the units or departments under audit and request supporting documents. The bodies and personnel concerned shall fully assist and cooperate with the Committee and provide documents and information reflecting the truth.

Article 14 The Committee shall be provided with sufficient resources to perform its duties. The Committee is authorised to, within its terms of reference and in conducting any investigation or expressing any opinion as authorised by the
Board, engage or invite external individuals or institutions with relevant experience and expertise to serve as advisors to the Committee on relevant issues and to provide references for its decisions; and all the reasonable costs incurred shall be at the expense of the Company. *(Hong Kong Code on Corporate Governance Practices C.3.6)*

Article 15 In the performance of its duties, the Committee may, if necessary, expand the scope of its examination of the Company’s affairs with the approval and special authorisation of the Board.

**Chapter IV Duties and Responsibilities**

Article 16 Subject to the resolutions of the Board meetings, the Committee shall review, update or revise the Rules periodically, in order to reflect development and changes of the Company.

Article 17 Upon completion of the annual audit, the Committee shall review and discuss the followings with the accounting firm responsible for auditing the financial reports (hereinafter referred to as the “Accountant”) and the Company’s management and head of the finance & accounting department: *(Hong Kong Code on Corporate Governance Practices C.3.3(e)(i))*

- the Company’s annual financial report;
- whether the Company has complied with accounting standards and whether the appropriate accounting policy has been adopted; *(Hong Kong Code on Corporate Governance Practices C.3.3(d)(v))*
- any changes in accounting policies and practices; *(Hong Kong Code on Corporate Governance Practices C.3.3(d)(i))*
- any place that requires the exercise of judgement or estimation; the Committee shall examine whether the judgement of the management is reasonable, or raise questions as to whether another calculation basis is more applicable or whether more supplementary information should have been obtained before reaching a conclusion; *(Hong Kong Code on
Corporate Governance Practices C.3.3(d)(ii))

- whether the Chairman’s report and the Directors’ report fairly reflect the Company’s performance and accord with the conditions reflected in all accounts;
- whether the accounts presented for audit accord with the report submitted to the tax authority or other regulatory bodies and are in complete compliance with listing rules of the stock exchange and other laws and regulations; (Hong Kong Code on Corporate Governance Practices C.3.3(d)(vii))
- whether all relevant information has been fully disclosed in the accounts and whether the disclosed information enables the reviewers of the accounts to have a fair understanding of the nature of any reported transactions;
- all significant audit adjustments and unadjusted audit differences in dispute; (Hong Kong Code on Corporate Governance Practices C.3.3(d)(iii))
- assumptions of going concern and any qualification (if any). (Hong Kong Code on Corporate Governance Practices C.3.3(d)(iv))

In examining the relevant statements, reports and accounts, the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and it should give due consideration to any the matters that have been raised by the Company’s head of the finance & accounting department, the Office of the Secretary, or the Accountant. (Hong Kong Code on Corporate Governance Practices C.3.3 (e))

Article 18 Before the publication of the interim reports and the quarterly reports, the Committee shall review and discuss the relevant reports with the Accountant, the Company’s management and the head of the finance & accounting department, focusing on the following issues: (Hong Kong Code on Corporate Governance Practices C.3.3(e)(i))(Hong Kong Code on Corporate Governance Practices C.3.3(d))
- any changes in accounting policies and practices;
• major judgmental areas;
• significant adjustments resulting from audit;
• the going concern assumptions and any qualifications;
• compliance with accounting standards; and
• compliance with the listing rules and other legal requirements in relation to financial reporting. (Hong Kong Code on Corporate Governance Practices C.3.3(e))

Article 19 To discuss the internal control system with management to ensure that the management has performed its duty to have an effective internal control system; the discussion shall include the adequacy of the Company’s resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function and to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management’s response to these findings. (Hong Kong Code on Corporate Governance Practices C.3.3(g) and C.3.3(h))

Article 20 The Committee shall, at least once a year, review the effectiveness of the Company’s internal control system and report the completion of such review to the shareholders in the Corporate Governance Report. Such review shall cover all major aspects of the control system, including financial control, operation control, compliance control, and risk management. (Hong Kong Code on Corporate Governance Practices C.3.3(f))

Article 21 Matters in connection with the Accountant include:

• To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Accountant, and to approve the remuneration and terms of engagement of the Accountant, and any questions of its resignation or dismissal; (Hong Kong Code on Corporate Governance Practices C.3.3(a))
- The Committee shall establish certain procedures to review and monitor the independence of the Accountant; *(Hong Kong Code on Corporate Governance Practices C.3.3 Note 1)*

- The Committee shall agree with the Board the policies on hiring employees or former employees of Accountant and monitoring the application of these policies; *(Hong Kong Code on Corporate Governance Practices C.3.3 Note 2)*

- The Committee shall ensure that the Accountant’s provision of non-audit services does not impair its independence or objectivity; *(Hong Kong Code on Corporate Governance Practices C.3.3 Note 3)*

- To review and monitor the Accountant's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; *(Hong Kong Code on Corporate Governance Practices C.3.3(b))*

- The Committee shall discuss with the Accountant the nature and scope of the audit and reporting obligations before the audit commences; *(Hong Kong Code on Corporate Governance Practices C.3.3(b))*

- To develop and implement policy on engaging an Accountant to supply non-audit services. For this purpose, "Accountant" 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. The Committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed. *(Hong Kong Code on Corporate Governance Practices C.3.3(c))*

**Article 22**

- To review management letter from the Accountant and Office of the Secretary, any material queries and suggestions raised by the Accountant to management and management’s response. To ensure that the Board will provide a timely response to the issues raised in the management letter. *(Hong Kong Code on Corporate Governance Practices C.3.3 (k)) and (C.3.3 (l)))*
Article 23  To review and coordinate the scopes of work and audit plans undertaken by the Accountant and by the Office of the Secretary, in order to ensure complete coverage, avoid repetitive work and achieve more efficient use of resources.

Article 24  To review and monitor the effectiveness of the work of the Office of the Secretary and that of the Finance & Accounting Department, and ensure that both have sufficient resources to operate and are given an appropriate standing within the Company, and conduct research and discussion with the management and the Office of the Secretary on:

- Difficulties encountered in the audit process, including any specified limits on the scope of work or whether the required materials are unable to obtain;
- Any required amendments within the scope of audit plan;
- Internal audit budget and required personnel. (*Hong Kong Code on Corporate Governance Practices C.3.3 (i)*)

Article 25  To review the group's financial and accounting policies and practices; to research on laws, regulatory provisions and other relevant policies that may have a significant impact on financial reporting; and examine the compliance of projects of the Company with relevant rules. (*Hong Kong Code on Corporate Governance Practices C.3.3 (j)*)

Article 26  To perform duties related to related party transaction control and daily management in accordance with the requirements of the Guidelines of the Shanghai Stock Exchange on Related Party Transactions of Listed Companies and Hong Kong Listing Rules, including but not limited to:

- Periodically review and verify the list of the Company’s related parties and report to Board and the Board of Supervisors timely and accordingly;
- Review the Company’s related party transactions, submit written report to the Board for review, and report to the Board of Supervisors.
Article 27 To complete the other examination work commissioned by the Board and research on any other topics defined by the Board. *(Hong Kong Code on Corporate Governance Practices C.3.3 (n))*

Article 28 To report to Board on the work of the Committee and make recommendations to the Board as the Committee may think fit. *(Hong Kong Code on Corporate Governance Practices C.3.3 (m))*

Article 29 To review arrangements employees of the Company can use, 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; and to act as the key representative body for overseeing the Company’s relations with the Accountant. *(Hong Kong Code on Corporate Governance Practices C.3.7))*

**Chapter V Decision-making Procedures**

Article 30 The Committee shall hold at least four meetings each year and notify all members five days prior to the meeting. The meeting shall be convened and presided over by the Chairman of the Committee. In the event that the Chairman is unable to attend the meeting, he or she shall authorise another member (which must be an independent Director) to preside over the meeting. Meetings of the Committee which the Accountant considers necessary may be convened upon the request of the Accountant.

Article 31 A meeting of the Committee shall be held at an appropriate time, respectively before the publication of the interim results and the publication of the annual results, for discussion of any accounts-related issues.

Article 32 The Chairman of the Committee shall be responsible for preparing the agenda
of the meeting and delegating relevant administrative personnel to prepare all necessary documents. All documents related to the meeting shall be delivered to the members of the Committee three days prior to the meeting.

Article 33 Meetings of the Committee shall be held only with the presence of at least half of its members. Each member shall be entitled to one vote. Resolutions of a meeting must be passed by the affirmative votes of more than half of its members. Resolutions of the Committee shall be passed by a show of hands or by poll. Ad hoc meeting may also be convened in the form of voting by communication in case of emergency.

Article 34 The Committee may, if necessary, invite other members of the Board, the Company’s senior management, head of the finance & accounting department, the Accountant or other relevant personnel to attend the meeting. The Committee may require to hold internal meetings with the Accountant without the attendance of the executive Directors, or to hold internal meetings with the executive Directors without the attendance of the Accountant, to ensure a free and frank exchange of views.

Article 35 Full minutes of the Committee meetings should be kept by the secretary to the Board. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records, within a reasonable time after the meeting (Hong Kong Code on Corporate Governance Practices C.3.1)

Article 36 After each meeting of the Committee, the Chairman of the Committee shall report to the Board on the main proceedings of the meeting. The Chairman shall submit to the Board one work progress report of the Committee at least every six months.

Article 37 The Chairman of the Committee shall submit to the Board each year at least one report on the work performed during the reported period along with the
results of investigation, including but not limited to the following:

- Conclusion after discussion with the Accountant on the audit work performed, the audit of financial statements and audit instructions;
- Recommendations with respect to the appointment and extension of appointment of the Accountant, including the quality of service, the reasonableness of fees and terms of engagement; and the handling of issues related to resignation, substitution and dismissal; *(Hong Kong Code on Corporate Governance Practices C.3.3(a))*
- Evaluation of the Company’s Auditing Department and response to the internal audit results;
- Where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the Accountant, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view. *(Hong Kong Code on Corporate Governance Practices C.3.5)*

**Article 38**  The Chairman of the Committee shall attend the Annual General Meeting of Shareholders. In the event that the Chairman is unable to attend the meeting, he or she shall authorise another member to attend the meeting and answer to the questions raised at the meeting. The Company’s management should ensure that the Accountant will attend the Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the report of the Accountant, the accounting policies and the Accountant’s independence. *(Hong Kong Code on Corporate Governance Practices E.1.2)*

**Chapter VI Supplementary Provisions**

**Article 39**  Any matters not covered by these Rules shall be implemented in accordance with relevant laws and regulations of the State and the Company’s Articles of Association. Where there is a conflict between these Rules and laws and regulations to be promulgated by the State or the Company’s Articles of
Association as amended in accordance with legitimate procedures time to time, these Rules shall be implemented in accordance with relevant laws and regulations of the State and the Company’s Articles of Association, and these Rules shall be amended immediately and the amended Rules shall be submitted to the Board for consideration and approval.

Article 40  The right to interpret and amend these Rules shall rest on the Board.

Article 41  The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on The Stock Exchange of Hong Kong Limited’s website and the Company's website. (*Hong Kong Code on Corporate Governance Practices C.3.4*)