



**GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED\***

**廣東愛得威建設(集團)股份有限公司**

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

**(Stock code: 6189)**

**(the “Company”)**

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The Audit Committee is established pursuant to a resolution passed by the Board of Directors (the “Board”) of the Company on 21 August 2015, terms of reference and procedures of which were amended and adopted by the Board at the board meeting on 16 September 2015, and were applicable to the accounting period of the Company beginning on or after 1 January 2016.

### **CHAPTER 1 GENERAL PROVISIONS**

Article 1 In order to improve the internal control and audit system, strengthen the audit and supervision of the board of directors on internal control and financial information, and protect the interests of all the shareholders of the Company, and pursuant to the Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and the Articles of Association of the Company (the “Articles of Association”) and other relevant regulations, the Company has set up the Audit Committee of the Board and formulated these terms of reference.

Article 2 The Audit Committee is a specific working body set up by the Board in accordance with the Articles of Association. Its main responsibilities are to review the Company’s accounting policy, financial position and financial reporting procedures; to inspect the internal control system and supervise its implementation; to carry out inspection and supervision on the Company’s internal audit function, internal audit system and its implementation; to guide the work of internal audit department; to maintain an appropriate relationship with the auditors of the Company; to give their opinions on the appointment of the audit firm and make formal and transparent arrangements, and to guide and oversee the work of the audit firm; to carry out annual audit for the Company and make judgment on the truthfulness, completeness and accuracy of the financial information.

Article 3 The Audit Committee shall be responsible to the Board and report its work to the Board.

\* *For identification purpose only*

## CHAPTER 2 COMPOSITION

Article 4 Members of the Audit Committee shall comprise non-executive directors only. The Audit Committee shall comprise a minimum of three members and 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 Audit Committee members must be independent non-executive directors of the Company. The Audit Committee must be chaired by an independent non-executive director.

Article 5 Members of the Audit Committee shall be appointed and removed by the Chairman of the Board and approved by the Board. No former partner of the Company's existing audit firm shall be allowed to serve as a member of the Audit Committee within one year from the date (whichever is later):

- (1) When he/she ceases to be a partner of the said audit firm; or
- (2) When he/she ceases to hold any financial interest of the said audit firm.

Article 6 The Audit Committee shall have a chairman who shall be an independent non-executive director. The chairman of the Audit Committee shall be responsible for leading the work of the Audit Committee. Where the chairman cannot perform his/her duties, another member who is an independent non-executive director shall be appointed to perform duties on his/her behalf. If no such member is appointed by the chairman, an independent non-executive director shall be elected by more than half of the members of the Audit Committee to act as a chairman. The chairman of the Audit Committee shall be elected from the members and the election shall be reported to the Board for approval.

Article 7 The term of office of the Audit Committee shall be the same as that of the Board. A member may serve consecutive terms if re-elected upon expiry of his/her term. If any member ceases to be a director of the Company, he/she shall automatically lose his/her position as an Audit Committee member, and the vacancy shall be filled by a member elected by the Board in accordance with provisions set forth above in Articles 4 to 6.

Article 8 The Audit Committee could have a secretary to assist with the work of the Audit Committee. The audit department of the Company and its department head or other departments or personnel of the Company designated by the Audit Committee from time to time shall undertake the relevant work of the secretary of the Audit Committee.

The secretary of the Audit Committee shall be mainly responsible for collecting and providing information in relation to the regulatory policies of the PRC government, the Company's financial information and its internal control, as well as providing the Audit Committee with advice. The secretary shall also be responsible for the preparation of relevant meeting documents.

### CHAPTER 3 DUTIES AND AUTHORITIES

Article 9 The Audit Committee should make its terms of reference publicly available, explaining its role and the authority delegated to it by the Board on the websites of The Stock Exchange of Hong Kong Limited and the Company. The main duties and authorities of the Audit Committee include:

**(1) To oversee the Company's financial reporting system and internal control systems**

1. To review the Company's financial control, internal control and risk management systems;
2. To discuss internal control systems with the Company's management to ensure that management has performed its duty to build an effective internal control system. This discussion should cover the adequacy of resources, staff qualifications and experience, training programs for employees and budget in relation to the Company's accounting and financial reporting function;
3. To study major investigation findings on internal control matters and response from management to these findings as delegated by the Board or on its own initiative;
4. To ensure co-ordination between the Company's internal audit department and external auditors, and to ensure that the Company's internal audit department is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
5. To review the financial and accounting policies and practices of the Company and its subsidiaries (collectively, the "Group");
6. To review the letter of audit explanatory statement given to the management by the external auditor, any material queries raised by the auditor to management about accounting records, financial accounts or control system and management's response;
7. To ensure that the Board will provide a timely response to the issues raised in the external auditor's letter of audit explanatory statement given to the management;
8. To report to the Board on the matters set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "Corporate Governance Code") (and as amended from time to time);
9. To consider other topics, as defined by the Board; and
10. To discuss on the Company's financial reporting procedures, internal control and risk management and to report to the Board, including the appraisals by both internal accounting department and external auditors, the implementation of the internal audit system of the Company, the compliance with the requirements of laws and regulations of the connected transaction of the Company, the completeness and accuracy of the financial reports of the Company and the objectivity and accuracy of the financial information disclosed by the Company to the public.

**(2) To review the financial report of the Company**

1. To be responsible for inspecting the accounting policies, financial status, financial reporting procedures and financial control of the Company;
2. To review the completeness of financial statements, annual reports and accounts, interim reports and quarterly reports (if any) of the Company, and to review significant financial judgements set out in the financial statements and reports. Prior to submission of the relevant statements and reports to the Board, the Audit Committee shall review the following matters, in particular:
  - (1) Any change in accounting policies and practices;
  - (2) Matters that may require important judgment;
  - (3) Significant adjustments resulting from an audit;
  - (4) Assumptions relating to the Company as a going concern and any qualified opinion;
  - (5) Whether applicable accounting principles are complied with;
  - (6) Whether the Listing Rules and legal requirements in respect of financial reporting have been fully complied with; and
  - (7) Statements about the Company's internal control system set out in the annual reports.
3. Regarding Article 9 (2) paragraph 2 above:
  - (1) Members of Audit Committee shall liaise with the Board and senior management of the Company. The Audit Committee must convene a meeting at least twice a year, with the Company's auditors; and
  - (2) The Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting, compliance officer or auditors;

**(3) Relationship with the Company's auditors**

1. To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor, and to approve the remuneration and terms of engagement of the Company's external auditor, and to deal with any matter in relation to its resignation or dismissal;

2. To review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditor the nature and scope of the audit and related reporting obligations before the audit commences;
3. To review the letter to the Company's management from the external auditors and the management's response;
4. To develop and implement policy on engaging the Company's 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. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and
5. To act as the key representative between the Company and the external auditor for overseeing their relationship.

**(4) Others**

1. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, to include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the reason(s) why the Board has taken a different view;
2. To review arrangements the employees of the Company can use to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
3. To establish a whistle-blowing system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.
4. To prepare reports on the work performed by the Audit Committee in its review of the quarterly (if any), interim and annual results and internal control system and its other duties set out in the Corporate Governance Code and submit the same to the Board for review and approval; and
5. To make recommendation and ensure that effective remedial steps are to be taken by the Board where the Company fails to comply with the provisions of the Listing Rules in relation to the establishment of Audit Committee.

## CHAPTER 4 RULES OF PROCEDURES FOR MEETINGS

Article 10 Regular meetings of the Audit Committee shall be held at least four times a year. In principle, the meeting shall be held concurrently with the regular meetings convened by the Board. A notice of meeting shall be given to all members at least seven days prior to the meeting, but such notice period can be waived by consent of all members.

Article 11 The chairman of the Audit Committee or more than half of the members of the Audit Committee can propose to convene an extraordinary meeting. A notice of extraordinary meeting shall be given to all members at least five days prior to the meeting, but such notice period can be waived by consent of all members.

Article 12 The members shall attend the meeting in a serious and responsible manner and clearly express their views on the proposals considered. In case a member is unable to attend the meeting of the Audit Committee in person, he/she shall appoint another member in writing as a proxy to vote on his/her behalf, and the member giving the proxy shall bear legal responsibility independently.

The power of attorney shall state the name of such proxy, the relevant matters, scope of authorization and validity period, and shall be signed by the appointer or a chop shall be affixed. The member attending a meeting on behalf of other member shall produce such power of attorney and exercise the rights within the scope of authorization.

Article 13 If a member of the Audit Committee fails to attend meetings in person consecutively for two times where such member also fails to appoint other members to attend on his/her behalf, such member shall be deemed as failure to perform his/her duties. The Audit Committee shall propose to the Board to remove such member.

Article 14 The meetings of the Audit Committee can only be held when more than half of its members are present. The meetings shall be held by way of physical meetings in principle and can be held by way of telecommunication (i.e. more than half of the members attending the meeting via means of communication such as telephone and video) provided that the members are able to freely express their views and the procedures are in compliance with the relevant regulatory requirements. Any resolution shall be passed by a majority (more than half) of votes of the members. A written resolution can be adopted if all members agree and sign. Members of the Audit Committee cannot vote in respect of resolutions which conflict with his/her interests.

Article 15 All meetings shall be convened and chaired by the chairman of the Committee. The chairman of the Audit Committee can appoint another member who is an independent non-executive director to chair the meeting if he/she is not able to attend this meeting. If the chairman does not appoint such member, an independent non-executive director shall be elected by a majority of the members to chair such meeting.

Article 16 The Audit Committee shall vote by a show of hands or by a poll, and each member is entitled to one vote. Approval of any resolution at an Audit Committee meeting shall require more than one half of the votes.

Article 17 Directors, supervisors and senior management of the Company who are not members of the Audit Committee may be invited to attend such meetings if necessary.

Article 18 Minutes of the Audit Committee meetings shall be recorded by the office of the Board or other departments designated by the Board and shall contain in detail the matters considered and decisions made by the Committee over the meeting. Attending members shall have rights to request to add explanatory notes to their speeches in the minutes, including any concerns raised or dissenting views expressed by members. Draft version of minutes of Audit Committee meetings shall be sent by the office of the Board or other departments designated by the Board to all members of the Committee for their comment within a reasonable time after the meeting and final versions of minutes will be sent to all directors. Minutes shall be signed by members of the Committee attending the meeting. The complete minutes of the meeting of the Audit Committee shall be kept by a duly-appointed secretary of the meeting (who should normally be the company secretary of the Company).

Article 19 Resolutions passed at the meeting of the Audit Committee and the voting results shall be reported in writing to the Board.

Article 20 Members of the Audit Committee and other persons present at a meeting shall be obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

Article 21 The office of the Board or other department designated by the Board shall be responsible for submitting proposals, organizing meetings, overseeing the implementation and feedback of the resolutions of the Audit Committee and liaising and coordinating with the Audit Committee and the secretary. The Audit Committee shall be provided with sufficient resources to perform its duties and the relevant departments of the Company shall cooperate accordingly.



## CHAPTER 5 SUPPLEMENTARY PROVISIONS

Article 22 In these terms of reference, the scope “above” a number shall include the number itself while the scope “more than” a number shall exclude the number itself.

Article 23 These terms of reference are passed by the Board of the Company and shall be effective and put in use from the date on which overseas-listed foreign shares (H Shares) of the Company were listed on The Stock Exchange of Hong Kong Limited.

Article 24 Any matters not covered by these terms of reference or in any event that these terms of reference contravene any laws, regulations, rules, regulatory documents, rules governing the listing of securities on the listing place of the shares of the Company and the Articles of Association of the Company, the laws, regulations, rules, regulatory documents, rules governing the listing of securities on the listing place of the shares of the Company and the Articles of Association of the Company shall prevail.

Article 25 The power of interpretation of these terms of reference shall be vested in the Board of the Company.

*These terms of reference are written in Chinese. If there is any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.*