

COSCO Pacific Limited

Terms of Reference of Audit Committee

Constitution

1. The board of directors (“the Board”) of COSCO Pacific Limited (“the Company”) has established an audit committee (“the Committee”) with written terms of reference pursuant to bye-law 120 of the Company’s Bye-laws in 1998. The Board adopted new terms of reference on January 1, 2005 and terminated the terms of reference of the Committee adopted on March 25, 2004. The Board resolved on this February 25, 2009 to amend these terms of reference with effect from February 25, 2009.

Membership

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent. A quorum shall be two members.
3. The Chairman of the Committee shall be appointed by the Board and should be an independent director.

Attendance at meetings

4. The Financial Controller, the Head of Internal Audit and a representative from the external auditor shall normally attend meetings. However, at least once a year the Committee shall meet with external and internal auditors without executive Board members present.
5. The Company Secretary shall be the secretary of the Committee (“the Secretary”).

Frequency of meetings

6. Meetings shall be held not less than four times a year. The external auditor may request a meeting if it considers that one is necessary.

Authority

7. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
8. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

9. The duties of the Committee shall be:

Relationship with the Company's auditors

- (a) to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, to approve the audit fee and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditor before the audit commences the nature and scope of the audit and reporting requirements and ensure co-ordination where more than one audit firm is involved;
- (c) to develop and implement policy on the engagement of external auditor to provide non- audit services. For this purpose, external auditor shall 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

- (d) to monitor integrity of the Company's financial statements and annual report, half-year report and quarterly reports, and to review significant financial reporting judgements contained therein before submission to the Board, focusing 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other legal requirements in relation to financial reporting.
- (e) In regard to (d) above:-
 - (i) members of the Committee must liaise with the Board and senior management and the Committee must meet, at least once a year, with the Company's auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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;

Oversight of the Company's financial reporting system and internal control procedures

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system

- including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's responses;
 - (i) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
 - (j) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
 - (k) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - (l) 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 monitor the effectiveness of the internal audit function;
 - (m) to review the Group's financial and accounting policies and practices;
 - (n) to report to the Board on the matters set out in the code provision in relation to audit committee contained in Appendix 14 (Code on Corporate Governance Practices) of the Listing Rules; and
 - (o) to consider other topics, as defined by the Board.

Review arrangements by which employees raise concerns in financial reporting, internal control or other matters

- (p) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

Reporting procedures

- 10. Full minutes of the meetings of the Committee should be kept by the Secretary. Draft and final versions of minutes of the Committee should be sent to all members of the Committee for their comments and records respectively within a reasonable time after the meeting.
- 11. The Secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

In the event of any inconsistency, the English language text of these terms of reference shall prevail over the Chinese language text.