



**中遠海運國際(香港)有限公司**  
COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

**Audit Committee**

**Terms of Reference**

**Revised version dated 30th April 2019**

## **Audit Committee Terms of Reference**

### ***Constitution***

1. The board of directors (the “Board”) of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “Company”) established an Audit Committee on 21st September 1998 and approved its terms of reference.

### ***Membership***

2. The members of the Audit 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 non-executive directors. A quorum for the meeting shall be two committee members.
3. The chairman of the Audit Committee should be an independent non-executive director and shall be appointed by the Board. In his absence, committee members present may elect another member who is an independent non-executive director to chair the committee meeting.

### ***Attendance at meeting***

4. In addition to the members of the Audit Committee, the Financial Controller/Chief Financial Officer, the head of Audit & Supervision Division of the Company and the representative(s) of the external auditor shall normally attend the meetings. The Audit Committee shall meet with the external auditor, the head of Audit & Supervision Division and the Financial Controller/Chief Financial Officer at least twice a year without executive directors being present.
5. The Audit Committee may, from time to time, invite any Board member or senior management of the Company or any other person to attend any of its meetings so as to ensure that the Audit Committee can better perform its duties and obligations.
6. The Company Secretary or his or her delegate or such other person appointed by the chairman of the Audit Committee shall be the secretary of the Audit Committee.

### ***Frequency and procedure of meeting***

7. Meetings shall be held at least twice a year. The external auditor may request a meeting if they consider that is necessary. The members of the Audit Committee may, from time to time, adopt the procedure governing the convening of committee meetings, the means and procedure for passing the resolutions at committee meetings.

### ***Authority***

8. The Audit Committee is authorised by the Board to:
  - a. carry out such related matters in accordance with its terms of reference. It is authorised to obtain any information it requires from any employees of the Company and all the employees of the Company are required to co-operate with any request made by the Audit Committee;
  - b. communicate with the external auditor, the head of Audit & Supervision Division, management and employees of the Company without any restrictions; and
  - c. seek advice from external professionals at the Company's expense, and if necessary, may invite those external professional(s) to attend the meeting of the Audit Committee.

### ***Duties***

9. The duties of the Audit Committee are as follows:
  - a. to contribute towards a climate of discipline, ethical behaviour, awareness of the risk management and internal controls within the Company and its subsidiaries (collectively, the "Group"); and
  - b. to ensure all members of the Audit Committee have full understanding in all aspects including the structure, controls and types of transactions of the Group, in order to have assessment of the significant risks faced by the Group.

### ***Part A : Relationship and communication with the Company's external auditor***

- 1) primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- 2) to approve the remuneration and terms of engagement of the external auditor;
- 3) responsible for the matters relating to the resignation or dismissal of the external auditor, and to review and approve the announcement to be published in relation to the change of external auditor;
- 4) to review and monitor the external auditor' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- 5) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6) to review with the external auditor the recent or anticipated developments in accounting principles or reporting practices that may affect the scope of the audit before audit commences; to discuss identified audit risk areas and anticipated audit problems; and to suggest to the external auditor the performance of any supplementary audit or other agreed-upon procedures deemed by the Audit Committee to be appropriate;
- 7) to meet with the external auditor every year (and on the basis whenever the external auditor or the Audit Committee consider it necessary), and in the absence of management, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the external auditor or the Audit Committee may wish to raise in respect of the accounting, financial reporting and internal control issues;
- 8) to review any material queries or issues raised by the external auditor to the Company's management about the accounting records, financial accounts or systems of control, and the management's response to such queries or issues. In general, the purpose is to resolve the different points of view between the management and the external auditor;
- 9) to review the management letter from external auditor and to ensure the Board provides a timely response to the issues raised in the letter;
- 10) to develop and implement policies on engaging an external auditor to provide non-audit services to the Company, and to ensure that the external auditor do not perform any services that impair or appear to impair the external auditor's judgement or independence in respect of the Company; and
- 11) to conclude, the Audit Committee is to act as the key representative body for overseeing the relationship between the Company and the external auditor, including the relationships involving the provision of non-audit services.

***Part B : Review of the Company's financial information***

- 1) to review and monitor the completeness, accuracy and fairness of the Company's annual reports, financial statements, interim reports and quarterly reports (if published) and to review significant financial reporting judgements contained therein. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on the following matters:
  - i. any changes in accounting policies and practices;
  - ii. major judgmental areas;
  - iii. the extent to which the financial statements are affected by any unusual transactions, and how they are disclosed;

- iv. significant adjustments resulting from the audit;
- v. the going concern assumptions and any auditor's report qualifications;
- vi. the clarity of disclosures in the financial reports and statements;
- vii. compliance with accounting standards; and
- viii. compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;

Regarding 1) above :

- 2) to liaise with and challenge, as appropriate, the Board and senior management of the Company;
- 3) to meet with the external auditor at least twice a year; and
- 4) to consider any significant or unusual items that are, or may need to be, reflected in the Company's financial report and statements and should give due consideration to any matters that have been raised by the Financial Controller/Chief Financial Officer, representative(s) of Financial & Accounting Division, or external auditor.

***Part C : Oversight of the Company's financial reporting system, risk management and internal control systems***

- 1) to monitor and review the systems of financial control, internal control and risk management, and report(s) by Audit & Supervision Division on the systems' adequacy and effectiveness;
- 2) to discuss the scope and quality of risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include an annual review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function;
- 3) to consider major investigation findings on risk management and internal control matters as delegated by the Board or instigated on its own initiative and management's response to these findings;
- 4) to review the Group's financial and accounting policies and practices;
- 5) to review all representation letters signed by the Company's management for the external auditor or other parties, to ensure that the information provided is complete and appropriate;
- 6) regarding the internal audit function, to:
  - i. review the Audit & Supervision Division's mission and terms of reference;
  - ii. ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;

- iii. discuss the scope of the internal audit function with the head of Audit & Supervision Division, including the internal audit plans, work programmes and quality control;
  - iv. review and monitor the effectiveness of the internal audit function on a regular basis;
  - v. consider and monitor management's response to internal audit recommendations; and
  - vi. ensure that co-ordination between the Audit & Supervision Division and external auditor is adequate;
- 7) to approve and monitor procedures enabling the following, and ensuring the fair and independent investigation and appropriate follow-up of such matters:
- i. the receipt, retention and treatment of complaints received by the Group regarding accounting, financial reporting, internal control, auditing or other matters; and
  - ii. the confidential, anonymous submission by employees of the Group of concerns regarding questionable accounting, financial reporting, internal control, auditing or other matters.

***Part D : General***

- 1) to ensure that member(s) of the Audit Committee, preferably the chairman of the Audit Committee, attends the Board meetings at which financial reports and financial statements are approved;
- 2) to ensure that the Audit Committee's terms of reference are made available to shareholders and other interested parties, through being posted on the Company's website and/or appropriate website and being made available from the Company Secretary upon request;
- 3) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed, and on the matters in the section headed "Duties" under this terms of reference;
- 4) to ensure that member(s) of the Audit Committee, preferably the chairman of the Audit Committee, attends the Company's Annual General Meeting to answer any questions relating to the activities and responsibilities of the Audit Committee and to answer relevant questions raised in the meeting held in connection with connected or continuing connected transactions of the Company which require approval by independent shareholders of the Company and answer any questions; and
- 5) to consider other projects and topics, as requested by the Board.

***Other procedures***

10. The head of Audit & Supervision Division shall report directly to the chairman of the Audit Committee. The Financial Controller/Chief Financial Officer shall also report directly to the chairman of the Audit Committee if necessary.
  
11. The secretary of the Audit Committee, in consultation with the chairman of the Audit Committee, should be responsible for drawing up the agenda of each Audit Committee meeting. The Financial Controller/Chief Financial Officer and the head of Audit & Supervision Division shall provide relevant materials to the secretary of Audit Committee five (5) working days before the meeting and ensure that all committee members shall have sufficient information three (3) working days before the meeting to enhance effectiveness of the Audit Committee meeting. The chairman of the Audit Committee, with the assistance of the Financial Controller/Chief Financial Officer, briefs all the committee members on the issues arising at each Audit Committee meeting.
  
12. The secretary of the Audit Committee shall circulate the draft and final versions of the minutes of each meeting to all committee members for their comment and records within seven (7) working days after each meeting. All minutes of the committee meetings shall record in sufficient detail the matters considered, decisions reached, matters of concern raised by committee members, external auditor and the head of Audit & Supervision Division and their dissenting views.
  
13. The chairman of the Audit Committee must report in the forthcoming regular Board meeting all decisions reached in the Audit Committee meeting.

Revised on 16th April 2004

Revised on 3rd March 2005

Revised on 12th December 2006

Revised on 22nd December 2008

Revised on 22nd March 2012

Revised on 15th December 2015

Revised on 24th August 2017

Revised on 30th April 2019