

If there is any discrepancy between the English text and the Chinese text in respect of these terms of reference, the Chinese text shall prevail.

LIAONING PORT CO., LTD.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD

Chapter 1 General Principles

Article 1 In order to improve the corporate governance structure of Liaoning Port Co., Ltd. (the “**Company**”) and enhance its efficiency and standard of scientific decision-making, these terms of reference (the “**Terms of Reference**”) of the audit committee (the “**Audit Committee**” or “**Committee**”) are formulated in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**” or the “**Listing Rules**”), the Rules Governing the Listing of Shares on the Shanghai Stock Exchange (the “**Shanghai Listing Rules**” or the “**Listing Rules**”), the Corporate Governance Standards for Listed Companies, the Articles of Association of Liaoning Port Co., Ltd. (the “**Articles**”) and other relevant regulations.

Article 2 The Audit Committee is a specialised committee subordinated and accountable to the board of directors (the “**Board**”). Its main responsibilities are to monitor the Company’s internal and external audits and financial reporting procedures, and internal control and risk management, and to maintain sound communications between internal and external audits.

Article 3 The Audit Committee shall discharge its duties independently in accordance with the provisions of these Terms of Reference.

Chapter 2 Composition

Article 4 All members of the Audit Committee shall be non-executive directors, comprising at least three (3) members, and at least one of the Independent non-executive directors being a professional in accounting or financial management.

Article 5 Members of the Audit Committee shall be elected by the Board, with the majority of them being independent non-executive directors, one of whom shall also act as the chairman of the Committee.

Article 6 The Audit Committee shall have one (1) chairman who is responsible for presiding over the work of the Committee. The chairman shall be elected among the Committee members and the same shall be submitted to the Board for approval.

Article 7 Any former partner (if any) of the accounting firm currently responsible for the audit of the Company’s accounts shall be prohibited from serving as a member of the Audit Committee of the Company within one year from the date of his/her ceasing to be a partner or to have any financial interest in the accounting firm, whichever is later.

Article 8 The term of office of the Committee members shall be concurrent with the term of their directorship and a Committee member may be eligible for re-election upon expiry of his/her term. A Committee member shall be automatically disqualified if he/she ceases to be a director of the Company during his term of office and the Board shall make up the number of Committee members in accordance with the provisions of these Terms of Reference.

Article 9 The secretary to the Board of the Company shall be the secretary of the Audit Committee who shall be responsible for the day-to-day work liaison and organisation of Committee meetings.

Chapter 3 Scope of Authority

Article 10 The main duties of the Audit Committee shall include: the authority to coordinate external audit, to organise internal audit, to review financial information and to oversee the financial reporting system and internal control of the Company.

Article 11 Coordination of external audit

1. To be responsible for making recommendations to the Board on the appointment, re-appointment, removal and approval of remuneration and the terms of engagement of the external auditor and handle any matters relating to the resignation or dismissal of that external auditor; where the Board does not concur with the opinion of the Audit Committee in respect of the selection, appointment, resignation or removal of the external auditor, the recommendations of the Audit Committee and the reasons for such different opinions of the Board shall be disclosed in the annual report of the Company.
2. To monitor the 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 external auditor the nature and scope of the audit and relevant issues relating to reporting obligations before the audit commences. If more than one (1) auditing firms are involved, the coordination of their work shall be ensured.
3. To formulate and implement policy on engaging an external auditor to provide non-audit services. For the purpose of these Terms of Reference, external auditor shall include any entity that is under common control, ownership or management with the accounting firm responsible for the audit, or an entity that would be reasonably concluded by a reasonable and informed third party knowing all relevant information to be part of the domestic or international business of the accounting firm responsible for the audit. The Audit Committee shall report to the Board and make recommendations on any measures in respect of any matters where they consider any action or improvement shall be needed.
4. To meet with the external auditor, at least once annually, in the absence of the management, to discuss matters relating to its audit fees, any issues arising from the audit or any other matters that the auditor may wish to raise.
5. To review, among others, the external auditor's explanatory letter relating to the audit submitted to the management of the Company, any material queries from the external auditor to the management about the accounting records, financial accounts or supervision and control systems, and the management's response.

6. To ensure that the Board will provide a timely response on the issues raised in the external auditor's explanatory letter relating to the audit submitted to the management of the Company.
7. To act as the key representative body between the Company and the external auditor for overseeing their relationship.
8. To oversee the audit work and other non-audit services of the external auditor, including the resolution of the disagreements between the management and the auditor relating to the financial statements and other audit matters. The external auditor shall report its work to the Audit Committee.
9. The Audit Committee shall request the external auditor to submit a "management proposal" or a "internal control recommendation" at least once a year, involving, but not limited to the following contents and relevant recommendations for improvement:
 - (1) Inadequacies in internal control measures (including significant deficiencies or material weaknesses) discovered in the course of audit and other matters relating to internal control measures of accounting records and financial statements;
 - (2) Consideration of any untrue, or misleading or fraudulent situations that may appear in the audit of the financial statements;
 - (3) Any limitation on the scope of the audit;
 - (4) Significant accounting policies;
 - (5) Management judgement and accounting estimates;
 - (6) Disagreements in the management;
 - (7) Discovery of illegal acts;
 - (8) Judgement on the quality of accounting principles by the external auditor;
 - (9) Review of the interim financial information by the external auditor.

The Audit Committee shall meet with the senior management of the Company, external auditor and the persons in charge of internal control and internal audit of the Company, at least once annually, to discuss the "management proposal" or "Internal control recommendations" submitted or proposed to be submitted to the Company by the external auditor.

Article 12 Organisation of internal audit

1. The Audit Committee shall ensure the co-ordination between the internal and external audits, and to ensure that the internal control function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.
2. To review and approve the annual internal audit planning of the Company and its subsidiaries.
3. To issue an audit report within seven (7) days of completion of the site visit of internal audit and seek the opinion of the unit being audited. The half-yearly and annual audit reports and the written replies of opinions on the audit reports by the units being audited shall be submitted by the secretary of the Committee to the Audit Committee for examination before submission to the chairman of the Board for approval. Other audit reports and the written replies of opinions on the audit report by the units being audited shall be submitted by the secretary of the Committee to the chairman of the Board and the Audit Committee simultaneously and the approval opinion shall be issued by the chairman of the Board.
4. The internal audit department shall report on the completion of the internal audit work to the Audit Committee at least half-yearly, which shall mainly include whether or not the accounting system and the internal supervision and control systems are complete and effective, and other important matters deemed by the internal audit department as those should be known by the Audit Committee.
5. The opinion of the Audit Committee shall be sought for the engagement and termination of the person in charge of the internal audit.

Article 13 Review of financial information

The Audit Committee shall monitor the quality and integrity of the Company's financial statements, annual reports and accounts, and half-yearly and quarterly reports, and shall review the significant opinions relating to financial reporting contained therein. In reviewing such statements and reports of the Company prior to their submission to the Board, the Committee shall focus particularly on:-

1. Any changes in accounting policies and practices;
2. Major areas requiring important judgements;
3. Significant adjustments resulting from audit;
4. The going concern assumptions and any qualifications;
5. Compliance with accounting standards; and
6. Compliance with the listing rules and other legal requirements in relation to financial reporting.

Article 14 Oversight of financial reporting system and internal control

1. To review the financial controls, internal control and risk management systems of the Company and monitor the implementation thereof.
2. To discuss the establishment and operation of the internal control system with the management to ensure that the management has performed its duty to establish an effective internal control system.
3. To consider major investigation findings on internal control matters and the management's response to such findings and to propose recommendations for rectification to the management and to inspect the implementation of such recommendations.
4. To review the financial and accounting policies and practices, and the establishment and operation of the internal control system of the Company and its subsidiaries.
5. To report to the Board on matters set out in Appendix 14 "Code on Corporate Governance" to the Hong Kong Listing Rules, as amended from time to time.

Article 15 Other authority

1. The Audit Committee shall be provided with sufficient resources to discharge its duties.
2. To review the following staff whistle blower policy formulated by the Company: the employees of the Company may, in confidence, report or raise concerns to the Audit Committee about possible irregularities in financial reporting, internal control or other aspects, and shall ensure that proper arrangements are in place for fair and independent investigation into such matters and for taking appropriate follow-up actions by the Company.
3. The Audit Committee is authorised to seek any information it requires from any employee of the Company. All employees shall co-operate with the Audit Committee for the requests made thereby.
4. The Audit Committee shall enquire the general manager and chief accountant in respect of the following matters: Are there any significant deficiencies in the design or operation of internal control which may have unfavourable effects on the ability to record, handle, summarise and report financial data, any major weaknesses in internal control and any fraudulent acts (whether material or not) of the management or other employees who perform major functions in internal control.
5. Other matters authorised by the Board.

Chapter 4 Rules and procedures of proceedings

Article 16 The unit of daily operations of the Audit Committee shall be set up at the office of the Board. The secretary of the Committee shall be responsible for, as required by the Audit Committee, organising the relevant functional departments of the Company to provide the relevant information and other supports required by the Audit Committee to discharge its duties.

Resolutions relating to the duties of the Audit Committee submitted to the Board for consideration shall be first considered by the Committee and the expertise issues without these Terms of Reference of the Audit Committee shall be studied and discussed by the Committee prior to submitting their professional opinions and recommendations on the resolutions to the Board as references for the Board's decision-making.

Article 17 Meetings of the Audit Committee shall be divided into regular and extraordinary meetings. Regular meetings shall be held at least four times a year. The chairman or two members of the Committee may propose to hold an extraordinary meeting. Notices of regular and extraordinary meetings shall be given to all Committee members at least five (5) days and three (3) days in advance, respectively. In urgent cases where an immediate meeting is required, a notice of an extraordinary meeting may be given at any time with the consent of the chairman of the Committee. Extraordinary meetings may be held by means of telephone conference or similar equipment.

A Committee meeting shall be presided over by the chairman. In the event the chairman is unable to attend the meeting, a Committee member may be appointed by the chairman to preside over a Committee.

Article 18 The quorum of a meeting of the Audit Committee shall be more than two-thirds of the members of the Committee present at the meeting. Decisions of a Committee meeting shall be passed by more than one-half of all members of the Audit Committee.

Article 19 With the consent of the chairman of the Committee, the circulation of a resolution in writing may replace the convening of the Committee meeting. In order to hold a meeting by such means, the office of the Board of the Company shall be responsible for circulating the relevant written resolution to all members of the Committee who shall be given reasonable time for consideration. Having received the replies of affirmative opinion via mail or by other means, a resolution of the Audit Committee shall be passed and recorded by the office of the Board.

If any Committee member requests for supplementary information or further explanations from the Company, the relevant department of the Company involved in the matter being resolved shall be responsible for supplying the supplementary materials and report to the Committee.

Article 20 If the Audit Committee deems necessary, it may invite other directors, supervisors, senior management and members of relevant functional departments of the Company to attend the meeting.

Article 21 The Audit Committee may, if necessary, appoint intermediaries to provide professional opinions thereto at the expense of the Company.

Article 22 The procedures relating to the holding of, voting and passing of resolutions at the meetings of the Audit Committee shall comply with the relevant laws and regulations, the Articles and the provisions of these Terms of Reference.

Article 23 The secretary of the Committee shall be responsible for the organisation and minutes of the meetings of the Committee. The relevant functional departments of the Company shall be responsible for cooperating in performing various works specific to the meetings.

Article 24 The Audit Committee shall have minutes of meetings and the complete minutes of the Audit Committee shall be kept by the secretary of the Committee.

The initial draft of the minutes of a meeting of the Audit Committee shall be sent to all members of the Committee within seven (7) days after the meeting for their comments and thereafter be finalized version for the record. The minutes of the meeting shall record only the speeches and opinions made at the meeting by the members of the Committee who shall not request for opinions which have not been expressed at the meeting be supplemented and recorded.

Article 25 The participants present at any meeting of the Committee shall have the obligation to keep confidential all matters discussed at such meeting and shall not disclose the information relating thereto without authorization.

Chapter 5 Miscellaneous

Article 26 These Terms of Reference shall be implemented from the date of approval of the Board.

Article 27 These Terms of Reference shall be subject to the interpretation of the Audit Committee of the Board of the Company. Any matters not provided for in these Terms of Reference shall be handled in accordance with the provisions of the relevant laws, regulations, the Hong Kong Listing Rules, the Shanghai Listing Rules and the Articles.