

**TERMS OF REFERENCE
OF THE AUDIT COMMITTEE OF THE COMPANY
(Effective on 1 January 2009)**

Constitution

1. The Audit Committee is established by the Board of Directors of the Company.

Membership

2. The Committee members shall be appointed by the Board and comprise 3 Non-Executive Directors and a majority of the Non-Executive Directors shall be independent. A quorum shall be two members.
3. The chairman of the Committee shall be appointed by the Board and from amongst the Independent Non-Executive Directors.
4. The Company Secretary shall be the secretary of the Committee. The secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.
5. The remuneration of the Committee members shall be fixed by the Board.

Authority

6. The Committee is granted the authority to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the Company and China Merchants China Investment Management Limited (the “Investment Manager”) and all employees of the Company and the Investment Manager are directed to co-operate as requested by members of the Committee. 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 as necessary to assist the Committee.

Responsibility

7. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the Company’s internal controls system including the adequacy of

resources, qualifications and experience of staff of the Company's accounting and financial reporting function, their training programmes and budget and as to the sufficiency of the external audit.

Attendance at meetings

8. As necessary or desirable, the chairman may request that the Qualified Accountant of the Company, members of management of the Investment Manager and the designated accountant of the Investment Manager who is responsible for preparing the accounts of the Company and representatives of the external auditors be present at meetings of the Committee. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without any executive Board member present.

Each member of the Committee is entitled to appoint an alternate or a proxy to represent him, whether generally for all meetings of the Committee, or specifically for any particular meetings(s) of the Committee. Any such appointment shall be effected in writing and delivered to the Company.

Frequency of meetings

9. The Audit Committee shall meet at least twice a year and when it considers additional meetings are necessary. The external auditors may request a meeting if they consider that one is necessary.

Duties

10. The duties of the Committee shall be :
 - (a) to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal;
 - (b) to review with the Company's management and external auditors the adequacy of the Company's policies and procedures regarding financial and internal controls and risk management systems;
 - (c) to review the Company's financial and accounting policies and practices;

- (d) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard and to discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (e) to develop and implement policy on the engagement of an external auditor to supply 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 Audit 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;
- (f) to review the half-yearly and annual financial statements 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 the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules of the Hong Kong Stock Exchange and other statutory and legal requirements.

- (g) in regard to (f) above, members of the Committee must liaise with the Company's Board of Directors and senior management and the Committee must meet at least once a year with the Company's auditors. 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;
- (h) to review the external auditors' 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;
- (i) to ensure that the Board will provide a timely response to the issues raised in the management letter;
- (j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (k) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board; and
- (l) to report to the Board on the matters set out in this terms of reference of the Committee; and
- (m) to consider other topics, as defined by the Board.

Proceedings

11. The proceedings of the Committee not mentioned herein shall be governed by the provisions contained in the Company's Articles of Association for regulating the meetings & proceedings of the directors of the Company.

Minutes

12. The secretary or his representative shall prepare minutes of each Committee meeting and obtain approval of the minutes by the chairman and circulate the minutes and reports of the Committee to all Committee members and other members of the Board.