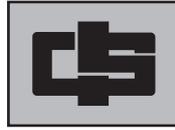


Please note that the Implementing Rules for the Audit Committee of the Board are written in Chinese without an official English version. This English version is for reference only. In case of any inconsistency, the Chinese version shall prevail.



CHINA SHIPPING DEVELOPMENT COMPANY LIMITED
中海發展股份有限公司

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

(Stock Code: 1138)

Implementing Rules for the Audit Committee of the Board

Revised on 8 March 2016

Chapter 1 General Provisions

Article 1 In order to strengthen the scientificity of the decision-making of the board (the “Board”) of directors (“Directors”) of the Company, enhance the decision-making level, accomplish audit in advance and professional audit so as to ensure effective supervision over the management by the Board, perfect the governance structure of the Company, as well as standardize the operation of the Audit Committee of the Board, the Board of the Company sets up the Audit Committee (the “Committee”) and formulates these implementing rules (the “Implementing Rules”) in accordance with the Company Law of the People’s Republic of China, the Guidelines for Governance Standards of Listed Companies, the Articles of Association of the Company (the “Articles of Association”), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the “SSE Listing Rules”), the Guideline for the Operation of Audit Committee of Boards of Directors of Listed Companies of Shanghai Stock Exchange, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “SEHK Listing Rules”) and other related regulations.

Article 2 The Audit Committee of the Board is a body specifically set up by the Board pursuant to the resolution of the general meeting, which is mainly responsible for, among the others, supervising and evaluating the work performed by the external audit institutions (including external auditors, the same below), considering appointment or replacement of the external audit institutions, steering the internal audit work, evaluating the effectiveness of internal control, and coordinating the communications between the management, internal audit department and external audit institutions.

Chapter 2 Composition

Article 3 The Audit Committee shall comprise three or more members who are appointed by the Board from members of the Board.

Article 4 Members of the Audit Committee shall manage affairs independent of the Company's daily operations in principle. Independent directors shall account for more than one half of all members of the Audit Committee.

Article 5 Members of the Audit Committee shall be nominated by the chairman of the Board, or more than one half of the independent directors or one-third of all directors, and shall be elected by the Board.

Article 6 All members of the Audit Committee shall be competent of performing the duties of the Audit Committee by possessing professional knowledge and commercial experience.

Article 7 The Audit Committee shall have one convener, who shall be acted by an independent director and shall be responsible for chairing the Committee. The convener shall be elected by the Audit Committee and shall be reported to the Board for approval. The convener shall have professional experience related to accounting or financial management.

Article 8 The term of office of members of the Audit Committee shall be in congruence with the term of the Directors, and its members may be re-elected upon the expiry of the current term of office. If any member no longer maintains the position as a director of the Company during his/her term of office, he/she shall automatically disqualify as a member, and the vacancy shall be filled by the Board in accordance with the provisions of Articles 3 to 5 above.

Article 9 The management of the Company shall appoint specific person or set up an audit working group, which is responsible for assisting the Audit Committee in the routine work of liaison and meetings organization, and procuring sufficient resources for the Audit Committee to perform its responsibilities.

Article 10 Members of the Audit Committee shall participate in relevant training courses to obtain professional knowledge in a timely manner in areas including law, accounting and regulation of listed companies for performing their duties.

Article 11 The Board of the Company shall conduct regular evaluation on the independence and performance of duties of the Audit Committee, and may replace those unfit to continue to serve as members when necessary.

Chapter 3 Terms of Reference

Article 12 The major terms of reference of the Audit Committee are:

- (1) to supervise and review the work of the external audit institutions:
 - (i) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, particularly the influence of non-audit services provided by an external audit institution on its independence;
 - (ii) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of an external audit institution, to approve the remuneration for audit service and appointment terms applicable to the external audit institutions, and any issues related to their resignation or dismissal;
 - (iii) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; to ensure the co-ordination between the firms of auditors if there are more than one firm involved;
 - (iv) to discuss and communicate with the external audit institutions on the audit scope, audit plan, audit method, and any material matters identified in the audit process;
 - (v) to supervise and evaluate whether the external audit institutions fulfill their duties diligently;
 - (vi) to develop and implement policies on the engagement of an external auditor to provide 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.
- (2) to guide the internal audit work:
 - (i) to review the annual internal audit plan of the Company;
 - (ii) to supervise the implementation of internal audit plan of the Company;
 - (iii) to review the internal audit reports, evaluate the results of internal audit and supervise the rectification of material matters;

- (iv) to guide the internal audit department on effective operation;
 - (v) to study the major investigation findings on risk management and internal control matters and management's response, on its own initiative or as delegated by the Board.
- (3) to monitor the integrity of, and to review and provide opinions on the financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Company, and to review significant financial reporting judgments contained in them:
- (i) to review the listed company's financial reports and provide opinions on the truthfulness, completeness and accuracy of the financial reports;
 - (ii) to focus on significant accounting and audit matters of the listed company's financial reporting, including adjustments to material accounting errors, changes in significant accounting policies and estimates, issues involving significant accounting judgments, and matters resulting in a failure to receive standard unqualified opinion audit reports;
 - (iii) to pay special attention to the possibilities of fraud, corrupt practice and material misstatements relating to financial reporting;
 - (iv) to supervise the rectification of financial reporting matters;

In reviewing these reports before submission to the Board, the Audit Committee should focus 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;
 - (vi) compliance with the SSE Listing Rules, the SEHK Listing Rules and other legal requirements in relation to financial reporting.
- (4) Regarding paragraph (3) above:
- (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and

- (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts. It should 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 and auditors.
- (5) to evaluate the effectiveness of internal control:
- (i) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems; to discuss with the management the risk management and internal control systems to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
 - (ii) to evaluate the adequacy of the listed company's internal control system;
 - (iii) to review the self-evaluation reports on internal control;
 - (iv) to review the internal control audit reports issued by the external audit institutions, as well as the matters and improvement measures formulated after communication with the external audit institutions;
 - (v) to evaluate the internal control assessment and audit results, and supervise the rectification of deficiencies in internal control.
- (6) to coordinate communications between the management, internal audit function and relevant departments, and the external audit institutions:
- (i) to coordinate communications between the management and the external audit institutions on material audit matters;
 - (ii) to coordinate communications between the internal audit department and the external audit institutions and to ensure coordination between the internal audit department and the external audit institutions;
- (7) to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.
- (8) to review the group's financial and accounting policies and practices.

- (9) to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of risk management and control and management's response.
- (10) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- (11) to report to the Board on the matters set out in the code provision of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules.
- (12) 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 Audit Committee shall ensure that proper arrangements are in place for the Company's fair and independent investigation of such matters and for appropriate follow-up action.
- (13) the Audit Committee shall report and make recommendation to the Board on measures that must be carried out and matters where action or improvement is needed.
- (14) for appointing or changing the external audit institutions of the listed company, the Audit Committee shall form deliberation opinions and make recommendations to the Board before the Board considers the relevant proposal.
- (15) to deal with other tasks assigned by the Board.

Article 13 The Audit Committee shall hold at least one separate meeting every year with the external audit institution in the absence of the management of the Company. The secretary to the Board can attend the meeting.

Article 14 The Audit Committee shall be accountable to the Board of the Company. The proposals of the Committee shall be submitted to the Board for consideration and decision. The Audit Committee shall work in accord with the supervisory audit activities of the Supervisory Committee.

Article 15 The Audit Committee is authorized by the Board to carry out any investigation according to its terms of reference.

Article 16 The Audit Committee is authorized by the Board to consult independent legal advisors on legal issues or obtain other independent professional opinions during investigation; the Audit Committee may engage intermediaries to provide professional advice if it considers necessary at the Company's expenses.

Chapter 4 Decision-making Procedures

Article 17 The internal audit department of the Company shall report to the Audit Committee. Various audit reports and the plan and status of rectification of the issues identified during an audit shall be submitted by the internal audit department to the management and the Audit Committee simultaneously.

Article 18 The Company's relevant departments such as internal audit department are responsible for making the preliminary preparations and collecting and providing the Audit Committee with the relevant written information for it to make decisions:

- (1) relevant financial reports of the Company;
- (2) working reports of internal and external audit institutions;
- (3) internal and external audit contracts and the relevant working reports;
- (4) public disclosure of information made by the Company;
- (5) audit reports regarding major connected transactions of the Company;
- (6) the self-evaluation reports and audit reports of the Company on internal control;
- (7) other relevant matters.

Article 19 The reports submitted by relevant departments such as internal audit department shall be discussed in the meetings of the Audit Committee, and its relevant written resolution or proposals shall be submitted to the Board for consideration:

- (1) work appraisal on external audit institutions, and the appointment and change of external audit institutions;
- (2) the appropriateness of the accounting policies adopted by the Company, and the compliance with the requirements of the relevant existing laws and regulations prevailing in PRC and Hong Kong;
- (3) reports on whether the internal audit system and plan of the Company have been effectively implemented and whether the financial reports of the Company are authentic in all aspects;

- (4) reports on whether information such as financial reports disclosed publicly by the Company are objective and authentic, and whether the major connected transactions of the Company are in compliance with the requirements of the relevant laws and regulations and rules;
- (5) the self-evaluation reports and audit reports of the Company on internal control;
- (6) work appraisal of the internal financial department and audit department, including its responsible person, of the Company;
- (7) other relevant matters.

Chapter 5 Procedural Rules

Article 20 The Audit Committee meeting shall be convened at least four times a year. Provisional meetings shall be convened when proposed by two members of the Audit Committee or when the convener considers necessary. All members shall be notified seven days prior to the meeting. The meetings shall be convened and presided over by the convener. In case that the convener is unable to attend, he/she shall authorize another independent director member to preside over the meeting.

Article 21 The meetings of the Audit Committee shall not be held unless more than two thirds of members attend.

Article 22 Each member of the Audit Committee shall have one vote and the resolutions of the meeting shall become valid only when they are passed by the affirmative vote. Any member of the Audit Committee having a conflict of interest in the matters to be discussed by the Audit Committee shall withdraw from the meeting. When a valid opinion cannot be formed by deliberation due to withdrawal of members, the relevant matter shall be deliberated by the Board directly.

Article 23 The Audit Committee meetings shall be voted by a show of hands or by a poll. The meetings can be held by telephone conference or similar communication devices, and all members present shall be deemed as attending such meeting in person as long as the members present can clearly hear and communicate with other members.

Article 24 Members of the Audit Committee shall attend the meeting in person and provide an unequivocal opinion on the matter being deliberated. If a member is unable to attend a meeting for any reason, he/she may authorize another member to attend and give opinion by signing an instrument of proxy.

Article 25 Relevant officers such as internal audit officers, financial officers and legal advisers may attend the meetings of the Audit Committee. The Directors, supervisors and other senior management of the Company may be invited to attend such meetings if necessary.

Article 26 If necessary, the convening procedure and voting method of the Audit Committee meetings and the resolutions passed at such meetings shall comply with the requirements of the relevant laws, regulations, Articles of Association and these Implementing Rules.

Article 27 The Audit Committee shall have minutes of the meetings, and members and other persons present at the meetings shall sign on the minutes which shall be kept by the audit department of the Company.

Article 28 Resolutions passed by and voting result of the meetings of the Audit Committee shall be reported in writing to the Board of the Company.

Article 29 All members present at the meeting shall have an obligation to keep all matters discussed in such meetings confidential, and shall not disclose the relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 30 These Implementing Rules shall be effective and implemented on the date when the relevant resolution is passed by the Board.

Article 31 For the matters which are not covered by the Implementing Rules, they shall be executed in accordance with the relevant laws and regulations of the state, the SSE Listing Rules, the SEHK Listing Rules and the Articles of Association. In the event that the Implementing Rules are not in congruence with the laws and regulations promulgated by the PRC government in future or the Articles of Association amended through valid procedure, it shall be executed according to the requirements of the relevant laws and regulations of the state and the Articles of Association, and the Implementing Rules shall be revised immediately and reported to the Board of the Company for consideration and approval.

Article 32 The power of interpretation of these rules shall be vested in the Board of the Company.