

China Pacific Insurance (Group) Co., Ltd.
Terms of Reference of the Audit and Related Party Transaction
Control Committee of the Board of Directors

CHAPTER 1 GENERAL PROVISIONS

Article 1

In order to perfect the corporate governance structure and strengthen the decision-making functions of the Board to better conduct the audit in advance and in a professional manner, and to ensure the effective supervision of the management by the board of directors (the “**Board**”), in accordance with the *Company Law of the People’s Republic of China*, the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (the “**Hong Kong Listing Rules**”), the *Corporate Governance Standards for Banking and Insurance Institutions*, *Guidelines on the Operation of the Board of Directors of Insurance Companies*, *Work Rules for Internal Audit of Insurance Institutions*, *Administrative Measures for Related Party Transactions of Banking and Insurance Institutions* and the Articles of Association of China Pacific Insurance (Group) Co., Ltd. (the “**Articles of Association**”), the relevant resolutions of the shareholders’ general meeting and other relevant provisions, the Company has particularly established the audit and related party transaction control committee of the Board and formulated the Terms of Reference.

Article 2

The audit and related party transaction control committee of the Board shall be a special body under the Board established in accordance with the Articles of Association of the Company. The audit and related party transaction control committee shall be mainly responsible for (1) the Company’s financial information and its disclosure and supervision, the communication, supervision and verification of the internal and external audit issues, and for exercising on behalf of the Board the functions of supervising and inspecting the management in operating the business and in formulating and executing of the internal control system; (2) management, review and risk control of related party transactions, and commencement of work as authorized by the Board, and is accountable to the Board.

CHAPTER 2 COMPOSITION

Article 3 The audit and related party transaction control committee shall consist of a minimum of three directors, among which all of them shall be non-executive directors, and more than half of them shall be independent directors.

Members of the audit and related party transaction control committee must have appropriate financial, audit, accounting or legal expertise and work experience relevant to their responsibilities and at least one person shall be a financial, accounting, legal or audit professional, or has work experience in financial, accounting or audit for more than five years among the independent directors who are members.

Article 4 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the audit and related party transaction control committee for a period of two years from the date of his ceasing:

- (1) to be a partner of the firm; or
- (2) to have any financial interest in the firm, whichever is later.

Article 5 The audit and related party transaction control committee shall have one chairman appointed by the Board as an independent director of the Company with professional background in accounting. The member of the audit and related party transaction control committee shall be nominated by the chairman of the Board or at least one-half of the independent directors or at least one-third of all directors, and shall be elected and appointed by the Board.

Article 6 The term of office of the members of the audit and related party transaction control committee shall be the same as that of the directors, and when the term of office of a member expires, he may serve a consecutive term subject to re-election. During the term of office, if any member no longer serves as director or independent director of the Company, he shall automatically lose his eligibility for membership, and the Board shall fill the vacancy to the number required in accordance with these terms of reference.

During his term of office, a member may tender resignation, which shall become effective upon approval by the Board. The Board shall fill the vacancy to the number required in accordance with these terms of reference.

The committee shall not dismiss the members without reason before the term of office of a member expires.

CHAPTER 3 RESPONSIBILITIES AND AUTHORITY

Article 7

The main responsibilities and authority of the audit and related party transaction control committee in audit shall be as follows:

- (1) to nominate external auditors, form opinions and make recommendations to the Board on the appointment (including reappointment), removal and remuneration of the external auditor, and to approve the remuneration and terms of engagement of the external auditors, and any issues relating to the resignation or dismissal of the external auditors. To urge the external auditors to be honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry disciplinary regulations, and strictly implement the internal control system.

The audit and related party transaction control committee shall make recommendations to the Board on the appointment or replacement of the external auditors, review the audit fees and employment terms of the external auditors, and shall not be improperly influenced by the substantial shareholders, de facto controllers or directors, supervisors and senior management of the Company.

The audit and related party transaction control committee shall submit to the Board, on a regular basis (at least annually), a evaluation report of the performance of the external auditors engaged and a report on the fulfilment of the supervisory duties of the audit and related party transaction control committee;

- (2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit and related party transaction control committee should discuss with the external auditor the nature and scope of the audit and the reporting obligations before the audit commences. The audit and related party transaction control committee may also review and monitor the independence of the external auditors by any of the following channels:
 - (i) checking all relationships between the Company and the external auditors (including non-audit services);
 - (ii) obtain from the external auditor annually, information about policies and processes for maintaining its independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
 - (iii) meet with the external auditor, at least annually, in the absence of the management of the Company, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise;
- (3) to develop and implement policy on the engaging an external auditor to supply 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. The committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (4) to examine and advise the Board on the management regulations of the internal audit system of the Company;

- (5) to monitor and evaluate the internal audit. To provide guidance to ensure the effectiveness of the internal audit system and to review and approve the annual plan and the budget for internal audit work of the Company and the human resources plan, and to make proposals to the Board and to be responsible for the regulation and implementation of such proposals once approved by the Board. To report to the Board on progress and quality of the internal audit and the material problems identified;
- (6) to assist in the communication between the internal and external auditors, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit personnel is adequately resourced and has appropriate standing, and to review and monitor the effectiveness of the internal audit system;
- (7) to review the appointment or dismissal of finance responsible person of the Company;
- (8) to check and verify the Company's financial and accounting reports, perform the extra duty of care, and prudently express professional opinions. To review the truthfulness, accuracy and completeness of the financial accounting reports, focus on significant accounting and auditing issues in the Company's financial accounting reports, pay special attention to the possibility of fraud, malpractice and material misstatement in relation to the financial accounting reports, and oversee the rectification of issues in the financial accounting reports;
- (9) to review the Company's accounting policies, changes in accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards;

- (10) to examine the financial information of and the disclosures made by the Company, including monitoring the integrity of the Company's financial statements, financial and accounting reports, and the periodic reports and accounts, internal control evaluation reports, and to review significant financial reporting judgments contained in such statements and reports. Prior to submitting the annual reports and accounts, half-year reports and quarterly reports to the Board, the audit and related party transaction control committee shall examine such reports and accounts and 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; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (11) Regarding paragraph (10) above:
- (i) the audit and related party transaction control committee should liaise with the Board and senior management and the audit and related party transaction control committee must meet, at least twice a year, with the external auditor of the Company;
 - (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and 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 or external auditor;
- (12) to discuss with the external auditor on any issues and queries identified during the course of auditing the interim and annual accounts, and on any other matters that the external audit may wish to discuss (and where necessary, the discussion may be conducted in the absence of the management);

- (13) to review the financial controls and to examine on a regular basis the financial control reports and the internal evaluation reports prepared by the internal audit department, to examine whether or not the internal control systems of the Company and its subsidiaries and branches respectively are scientific, reasonable and effective and to examine the implementation of such systems as well, to make recommendations on pursuing liability against any individual who is held responsible for any irregularity and to advise the Board on issues relating to financial control, internal control, risk and compliance and to give any recommendation on the relevant improvements;
- (14) to oversee the internal control system on an ongoing basis, and to ensure that a review of the comprehensiveness and effectiveness of the Company and its subsidiaries' internal control system has been conducted at least annually, and such review should cover all material controls, including financial, operational and compliance controls;
- (15) To review the internal audit report of the Company, to appraise the results of the internal audit work, to supervise the implementation of remedial measures relating to major issues and to accept and handle in a timely manner any complaint in respect of major issues concerning internal controls;
- (16) to discuss the internal control system with management to ensure that the management has performed its duty to set up an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget in the accounting and financial reporting functions;
- (17) to consider major investigation findings on internal control matters at the request of the management or on its own initiative and management's response to these findings;
- (18) to examine, prior to submission to the Board for consideration, the representations in relation to the internal control system of the Company as contained in the annual report in advance;
- (19) to review the financial and accounting policies and practices of the Company and its subsidiaries;

- (20) to review the letter of explanation issued by the external auditor to the management in connection with the audit, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and the response of the management to such queries;
- (21) to ensure that the Board will provide a timely response to the issues raised in the external auditor's letter of explanation to the management and in the management's proposal;
- (22) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (23) subject to the laws or regulatory requirements, to fully report, within its scope of authority, its actions, decisions and recommendations to the Board and to maintain communication and cooperation with other special committees;
- (24) to review the following arrangements made by the Company: the staff of the Company may raise their concerns about possible improprieties in financial reporting, internal control or other matters. The audit and related party transaction control committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (25) to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit and related party transaction control committee about possible improprieties in any matter related to the Company;
- (26) to provide its opinion on the due diligence and performance evaluation of the internal audit personnel;
- (27) to listen to the reports on the progress of the audit work given by the person in charge of the audit on a quarterly basis and to evaluate the work carried out by such person and advise the Board;
- (28) to report to the Board on the matters set out in the Corporate Governance Code under the Hong Kong Listing Rules;

- (29) to issue a written opinion on the independence of the external auditors selected and appointed to perform the audits of the Company's directors and senior management;
- (30) to handle any other matters as required by the regulatory authorities, stipulated in the Articles of Association and authorized by the Board.

Article 8

The main responsibilities and authority of the audit and related party transaction control committee in the management of related party transactions shall be as follows:

- (1) to review related party identification maintenance reports;
- (2) to be responsible for the management, review and risk control of related party transactions;
- (3) to review the Company's annual related party transactions and the implementation of the related party transaction management system; to consider resolutions relating to related party transactions and provide opinions and suggestions to the Board;
- (4) to accept the filing of general related party transactions;
- (5) to review major related party transactions, focusing on their compliance, fairness and necessity;
- (6) to improve the related party transactions management system of the Company;
- (7) to handle any other matters as required by the regulatory authorities, stipulated in the Articles of Association and authorized by the Board, as well as other material matters relating to related party transactions.

Article 9

The Board shall authorize the audit and related party transaction control committee to conduct any investigation within its scope of authority. The audit and related party transaction control committee shall have the right to obtain from any staff any information required by it and all staff must accommodate any request raised by the audit and related party transaction control committee.

Article 10 The audit and related party transaction control committee shall be accountable to the Board. The opinion, recommendation and reports of the committee shall be submitted to, and determined upon consideration by, the Board.

Article 11 Where the Board disagrees with the audit and related party transaction control committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in its Corporate Governance Report, which will be incorporated in its annual report as required by the Hong Kong Listing Rules, a statement from the audit and related party transaction control committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Article 12 The audit and related party transaction control committee may request the management to carry out investigations, conduct investigations directly on its own within its scope of authority, or entrust an independent intermediary to investigate, any major issues which it is concerned about.

Article 13 The Company shall provide the audit and related party transaction control committee with sufficient human and material resources in order to enable the committee to perform its duties. The Board shall authorize the audit and related party transaction control committee to obtain independent professional advice from an external party at the costs of the Company if necessary. In case of failure to report related parties as stipulated or engagement of related party transactions in violation of regulations, the relevant personnel shall be held accountable according to the internal accountability system, and the accountability status shall be reported to the audit and related party transaction control committee.

CHAPTER 4 RULES OF PROCEDURE

Article 14 The chairman of the audit and related party transaction control committee shall be responsible for convening and presiding over a meeting of the audit committee. If the chairman cannot attend the meeting, he may appoint another member to preside over the meeting.

Article 15

A meeting of the audit and related party transaction control committee shall only be held when at least two-thirds of its members are present. Each member shall have one vote. The opinions, recommendations and decisions formed by the meeting shall require the affirmative vote of more than one half of all of its members to be passed. Members present at the meeting shall sign on the opinions, recommendations and decisions adopted at such meeting.

The audit and related party transaction control committee shall hold at least one meeting every quarter, and an interim meeting may be convened upon the proposal of two or more members, or when the chairman deems it necessary.

In case the audit and related party transaction control committee votes or makes decisions on any related party transaction, the interested member of such related party transaction shall abstain from voting.

Article 16

The meetings of the audit and related party transaction control committee may be held by way of on-site meetings or circulation of written resolutions. Among them, “on-site meetings” refer to meetings held by means of on-site, video, telephone, etc., which ensure immediate communication and discussion among participants; and “circulation of written resolutions” refers to the meeting method to express opinions on the matters under consideration by separate service or circulation for consideration.

If an on-site meeting is convened, a vote by a show of hands or by poll may be taken. If a meeting is held by way of circulation of written resolutions, a vote may be taken by signing the resolution by facsimile or letter.

Article 17

The finance responsible person, person in charge of the audit and external auditor shall attend meetings as a general rule. The chairman may invite other relevant personnel and external parties to attend meetings when necessary.

The audit and related party transaction control committee shall conduct a meeting with the external auditor at least once every year in the absence of the executive directors of the Company.

Article 18 The audit and related party transaction control committee shall have complete minutes of meetings. The members present at a meeting shall sign the minutes of the meeting. The minutes shall be kept by the secretary to the Board. The method and term of retention shall follow the method and term of retention of the documents of the Board. Draft and final versions of minutes of the meetings should be sent to all members of the audit and related party transaction control committee within a reasonable time after the meeting. The drafts shall be used for soliciting comments from the members and the definitive version shall be filed for record.

Article 19 Opinions, recommendations, decisions made by, and voting results of, the audit and related party transaction control committee shall be reported to the Board of the Company in writing.

CHAPTER 5 SUPPLEMENTARY PROVISIONS

Article 20 The Terms of Reference shall take effect as at the date on which they are adopted by the Board.

Article 21 Any matters which are not fully provided for in the Terms of Reference shall be implemented in accordance with the provisions of the relevant laws and regulations of the PRC and the Articles of Association. If there is any conflict between the Terms of Reference and any laws or regulations promulgated by the PRC in the future, or with the Articles of Association as amended through legal procedures, the provisions of the relevant laws and regulations of the PRC and the Articles of Association shall prevail, and the Terms of Reference shall be amended forthwith and submitted to the Board for consideration and, if thought fit, adoption.

Article 22 The Terms of Reference, the role of the audit and related party transaction control committee, and the explanation of the authority delegated to the audit committee by the Board shall be published in accordance with relevant provisions.

Article 23 The power of interpretation and amendment of these Rules shall be vested in the Board of the Company.

Article 24 The Terms of Reference are written in Chinese and English. The English language version is only a translation. If there is any discrepancy between the two versions, the Chinese version shall prevail.