

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
上海實業城市開發集團有限公司

AUDIT COMMITTEE : TERMS OF REFERENCE

Constitution

1. The Board of Directors hereby establishes an Audit Committee.

Membership

2. The Committee shall consist of at least three members of non-executive directors appointed by the Board, the majority of which shall be independent individuals. The quorum of the Committee shall be two.
3. The Chairman of the Audit Committee shall be appointed by the Board and shall be an independent director.

Attendance at meetings

4. The chief financial officer, the head of Internal Audit and the representative of the external auditors shall attend the meeting. However, the Committee shall meet at least once a year with the external and internal auditors in the absence of the executive directors of the Board.
5. The Company Secretary shall act as the Secretary of the Audit Committee.

Frequency of meetings

6. The meetings shall be held no less than twice a year. The external auditors can call for a meeting if they think fit.

Authority

7. The Audit Committee is authorized by the Board to perform activities and to undertake any investigations in accordance with its terms of reference. The Committee is authorized to seek any information required from any employees, and all the employees shall collaborate with the Committee under the instruction and fulfill all of its requirements.
8. The Audit Committee is authorized by the Board to seek external legal or other independent professional advices; they can invite the external parties with relative experience and professional knowledge to attend the meeting if necessary.

Annual General Meeting

9. The Chairman of the Committee shall attend the annual general meeting(s) of the Company and be prepared to respond to any shareholders' questions on the Committee's activities or in his absence, another member of the Committee, or failing this, his duly appointed delegate.

Duties

10. The Audit Committee should report to the Board, identifying and making recommendations on their decisions and recommendations. The duties of the Audit Committee are as follows: -

Relationship with the External Auditor

- (a) To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the External Auditor, and to approve the remuneration and terms of engagement of the External Auditor, and any questions of its resignation or dismissal;
- (b) To review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) To develop and implement policy on engaging an external auditor to supply non-audit services;
- (d) To act as the key representative body for overseeing the Company's relations with the External Auditor;

Review of Financial Information

- (e) To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the 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; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

- (f) For the purpose of (d) above,
 - (i) members of the Committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the issuer's auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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 or auditors;

Oversight of the Company's financial reporting system and internal control procedures

- (g) To review the Company's financial controls, internal control and risk management systems;
- (h) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. Thus discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and reporting function;
- (i) To consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (j) To ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (k) To review the Group's financial and accounting policies and practices;
- (l) To review the External Auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management responses;
- (m) To ensure that the Board will provide a timely response to the issues raised in the External Auditor's management letter;
- (n) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) To report to the Board on the matters set out in C3.3 of the Corporate Governance Code (Appendix 14 of the Listing Rules); and
- (p) To consider other topics, as defined by the Board.

Cessation

11. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director and/or a secretary of the Company.

Reporting procedures

12. The secretary of the Audit Committee shall circulate the minutes of meetings and reports of the Committee to all members of the Board.