

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. Pursuant to the resolution passed by the board of directors (the “**Board**”) of Shanghai Industrial Urban Development Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), an audit committee (the “**Committee**”) was established as the audit committee of the Board. These terms of reference are set up to govern the operations of the Committee.

Membership

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

Attendance at meetings

4. The Chief Financial Officer/Financial Controller, the Head of Internal Audit and a representative of the external auditor shall attend the meetings. 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 Company.
5. The Company Secretary of the Company shall act as the Secretary of the Committee.

Frequency of meetings

6. The meetings shall be held not less than twice a year. The external auditor can call for a meeting as it thinks fit.

Committee’s written resolutions

7. A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form, each signed by one or more of the members of the Committee.

Authority

8. The 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 employee, and all employees shall collaborate with the Committee under the instruction and fulfill all of its requirements.
9. The Committee is authorized by the Board to seek external legal or other independent professional advice and to invite the external parties with relative experience and professional knowledge to attend the meetings if necessary.

Annual general meeting

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

Duties

11. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed. The duties of the Committee are as follows: -

Relationship with the Company's auditors

- (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;
- (c) To discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) To develop and implement policy on 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;
- (e) To act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

- (f) 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and legal requirements in relation to financial reporting;
- (g) For the purpose of (f) 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 Company'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, risk management and internal control systems

- (h) 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;
- (i) To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- (j) To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (k) 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;
- (l) To review the Group's financial and accounting policies and practices;
- (m) 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's responses;
- (n) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) 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;
- (p) To report to the Board on the matters set out in the code provision C.3.3 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules; and
- (q) To consider other topics, as defined by the Board.

Cessation

12. 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

13. The Secretary of the Committee shall circulate the minutes of meetings and reports of the Committee to all members of the Board within a reasonable time after the meeting.