

SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 770)

AUDIT COMMITTEE TERMS OF REFERENCE

A. Functions

The Audit Committee (the “AC”) was established by the Board of Directors (the “Board”) of Shanghai International Shanghai Growth Investment Limited (the “Company”) in July 1999. It assists the Board to regularly review, independent of the Company’s management, the effectiveness of the financial reporting process, risk management and internal control systems of the Company.

B. Authority

The AC shall discharge and carry out its duties and responsibilities within this Terms of Reference with the following authority as delegated by the Board:

1. to investigate any matter within this Terms of Reference;
2. to have full access to and cooperation by management and full discretion to invite any member of the Board (“Director”) or officer of the Company to attend its meetings;
3. to seek any information it may require from any Company employee, Director or agent and all such persons will be directed to co-operate with any request made by the AC;
4. to be provided with sufficient resources to enable it to discharge its duties;
5. to, if deemed necessary, obtain external independent professional advice at the Company’s expense; and
6. any other authority that the Board may delegate from time to time.

C. Responsibilities

The responsibilities of the AC shall mainly comprise three areas; namely, review of financial information of the Company, relationship with the Company’s external auditors and oversight the Company’s financial reporting system, risk management and internal control systems.

In particular, the AC's responsibilities shall include the following:

Review of financial information of the Company

1. to review periodically and satisfy itself of the quality, especially as to the completeness, accuracy and fairness of the financial statements prepared by the management and to monitor the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board; in particular, the AC should focus on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with requirements under Listing Rules and other regulatory and legal requirements in relation to financial reporting.
2. In regard to 1. above:
 - (a) members of the AC must liaise with the Board and senior management and the AC must meet, at least twice a year, with the Company's external auditors in which the Company's management may be invited to attend; and
 - (b) the AC 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;

Relationship with the Company's external auditors

3. to review the scope and results of the audit and its cost effectiveness in accordance with applicable standards;
4. to review and monitor the independence and objectivity of the external auditors;

5. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal, as well as the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
6. to develop and implement policy on engaging the external auditors to supply non-audit services;

Oversight of the Company's financial reporting system, risk management and internal control systems

7. 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;
8. to discuss the risk management and internal control systems with management 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 function;
9. 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;
10. to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function (where it exists) is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
11. to review the scope and results of internal audit procedures;
12. to review any significant financial reporting issues and judgments so as to ensure the integrity of financial statements of the Company and any formal announcements relating to the Company's financial performance;
13. to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting, internal control or other matters, bearing in mind the AC's objective is to ensure proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action;
14. to review the Company's financial and accounting policies and practices;

15. to review the external auditor's 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;
16. to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
17. to report to the Board on matters stated in this Terms of Reference;
18. to consider other topics, as defined by the Board from time to time; and
19. to ensure that the Chairman of the AC, or his duly appointed delegate, is to be available to answer questions at the annual general meeting of the Company.

D. Members

1. The AC shall be appointed by the Board and comprise non-executive Directors only. All of the Company's Independent Non-executive Directors ("INEDs") shall be members of the AC, forming a majority thereof. One of such INEDs shall be appointed by the Board as Chairman of the AC.
2. The Board should ensure that members of the AC are appropriately qualified to discharge their responsibilities. At least one of the INED members must have professional qualifications or accounting or related financial management expertise.
3. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the AC for a period of two years commencing on the date of the person ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,whichever is the later.

E. Meetings

1. The AC shall meet with such frequency and at such times as it may determine, provided that it shall meet at least twice each year.
2. The quorum for meetings shall be two, either present in person or via telephone or video conference, one of whom should be the AC Chairman, unless he is unable to attend due to exceptional circumstances. All meetings of the AC may be held via telephone or video conference.

3. The Company Secretary or, in his/her absence, his/her delegate, shall act as the secretary to the AC and must ensure that full minutes are kept of all meetings.
4. Minutes of the AC meetings shall be circulated to all members of the AC and made available upon request to other members of the Board.

F. Resolutions

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

G. Availability and update of this Terms of Reference

This Terms of Reference shall be updated and revised as and when necessary in light of changes in circumstances or in regulatory requirements in Hong Kong. This Terms of Reference shall be made available to the public by including the information on the Company's website and on the website of The Hong Kong Exchanges and Clearing Limited.

The Chinese version of this document is for reference only. Should there be any discrepancies or inconsistencies between the English and the Chinese version, the English version shall prevail.