

SHENZHEN INVESTMENT LIMITED

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TERMS OF REFERENCE OF AUDIT COMMITTEE

Terms of Reference of Audit Committee

Constitution

1. A

27th September, 2004.

Membership

2. The Committee shall be appointed by ~~Board~~ from amongst the ~~non~~ executive directors of the Company and shall consist of not less than three members at least one of whom is an independent ~~non~~ executive director with professional qualifications or accounting or related financial management ~~exp~~ise. The majority of the Committee members should be independent ~~non~~ executive directors. A quorum shall be two members.
3. The Chairman of the Committee shall be appointed by the Board and should be an independent ~~non~~ executive director.

Attendance at meetings

4. ~~internal audit~~(where an internal audit function exists) representative of the external auditors s activities. However, at least once a year the Committee shall meet with the external and internal auditors (if any) without executive board members present.
5. The company secretary shall be the secretary of the Committee ~~The~~ secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.

Frequency of meetings

6. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider ~~that~~ one is necessary.

Authority

7. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to ~~operate~~ with any request made by the Committee.
8. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this ~~is~~ necessary.

Duties

9. The duties of the Committee shall be :

- (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 standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure coordination where more than one audit firm is involved;
- (c) 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. The Committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed
- (d) to monitor integrity of the financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and 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 qualifications
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
 - (i) members of the Committee should liaise with the board and senior management and the Committee must meet, at least once 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 and should give due consideration to any matters that have been raised by the Company staff responsible for the accounting and financial reporting function, compliance officer or auditors;

- (f) to review the Company financial controls, and to review the Company management and internal control systems;
- (g) 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 an adequacy of resources, staff qualifications and experience
financial reporting function
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the board or on its own initiative and management response to these