

# **AUDIT COMMITTEE CHARTER**

## **I. ORGANIZATION**

This Charter governs the operations of the Audit Committee (the “Committee”) of Shang Properties, Inc. (the “Company”). The Committee shall be appointed by the Board and shall consist of at least three (3) members of the board, one (1) of whom shall be an independent director and another with audit experience. The Chair of the Audit Committee should be an independent director. Each member shall have adequate understanding at least or competence at most of the company’s financial management systems and environment.

The members of the Committee shall serve until their successors shall be duly elected and qualified. Unless a Chairperson is elected by the Board, the members of the Committee may designate a Chairperson by majority vote of the full Committee membership. The Chairperson will chair all regular sessions of the Committee and set the agenda for the Committee meetings.

## **II. PURPOSE**

The Audit Committee shall provide assistance to the board of directors in fulfilling its general oversight responsibility to the Company and to its shareholders, potential shareholders, the investment community, and others relating to:

- (i) The integrity of the Company’s accounting and reporting practices and internal controls, the financial statements and reports of the Company;
- (ii) The Company’s compliance with legal and regulatory requirements;
- (iii) The external auditor’s qualifications and independence; and
- (iv) The performance of the Company’s internal audit function and external auditors.

## **III. MEETINGS**

The Committee will meet at least four times annually, or more frequently as their responsibilities dictate. To maintain free and open communication, the Committee shall, at least annually, meet separately with management, the internal audit department and the external auditors to discuss any matters that the Committee or any of these groups believes should be discussed privately.

## **IV. RESPONSIBILITIES AND DUTIES**

In discharging its oversight role, the Committee is empowered to study or investigate any matter or concern brought to its attention that it deems appropriate. The Committee shall be given full access to the Company’s internal audit group,

management, personnel, external auditors, books, records and facilities as necessary to carry out these responsibilities and the power to retain at the expense of the Company independent outside counsel or other experts or advisers as it determines necessary to carry out its duties.

While the Committee has the responsibilities and powers set forth in this charter, it is the Management who is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies, along with the maintenance of effective internal controls over financial reporting. The external auditors are responsible for auditing the Company's financial statements, expressing an opinion on management's assessment that the company maintained effective internal controls over financial reporting.

As a guide, the following sections of this charter set forth the responsibilities and duties of the Committee.

#### External Auditors

- (i) Responsible for the retention (and termination, as the case may be) the Company's external auditors and approve all audit engagement fees and terms;
- (ii) Approve any audit and any permissible non-audit work between the Company and the external auditors;
- (iii) Review, at least annually, the qualifications, performance and independence of the external auditors. In conducting its review and evaluation, the Committee should:
  - a. Obtain and review a report by the Company's external auditors describing: (1) the auditing firm's internal quality-control procedures; (2) any material issues raised by the most recent internal quality-control review, or peer review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; (3) and all relationships between the external auditors and the Company (to assess the auditor's independence);
  - b. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

#### Internal Auditors

- (i) Responsible for the retention (and termination, as the case may be) the Company's internal auditors;

- (ii) Responsible for the setting up of the internal audit department and for the appointment of the internal auditor who shall report directly to the Audit Committee;
- (iii) Review and discuss with management and internal auditors the responsibilities, budget and staffing of the Company's internal audit function; including the Company's annual audit plan, activities, audit scope, frequency, status of activities, significant findings, recommendations and management's response.

### **Financial Reporting Process and Controls**

- (i) Review in consultation with the external and internal auditors, the integrity of the Company's internal and external financial reporting processes and controls. In this regard, the Committee should obtain and discuss with management and the external auditors all reports from management and the external auditors regarding:
  - a. all critical accounting policies and practices;
  - b. analyses prepared by management and/or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements;
  - c. major issues regarding accounting principles and financial statement presentations; including the adequacy and effectiveness of the Company's internal controls system and any specific audit steps adopted in light of material control deficiencies;
  - d. review issues of strategic importance particularly in relation to methods of operation and the use of human and physical facilities and to indicate possible improvements; and
  - e. any other material written communications between the external auditor and the Company's management;
- (ii) Review any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to requested information; and
- (iii) Review any significant disagreement between management and the external auditors or the internal auditing department in connection with the preparation of the financial statements and management's response to such matters.

### **Legal/Compliance/General**

- (i) Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements or operations;

- (ii) The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures; and
- (iii) Review and investigate any matters pertaining to the integrity of management, including conflicts of interest.

### **Reports**

- (i) Review with management and the external auditors, prior to public dissemination, the Company's annual audited financial statements and any quarterly financial statements and reports, including the Company's disclosures;
- (ii) Prepare all reports required of it to be included in the Company's proxy statement, pursuant to and in accordance with applicable rules and regulations of the Securities and Exchange Commission;
- (iii) Report regularly to the Board:
  - a. with respect to any issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the performance and independence of the Company's external auditors or the performance of the internal audit function; and
  - b. with respect to such other matters that are relevant to the Committee's discharge of its responsibilities; and
- (iv) Maintain minutes or other records of meetings and activities of the Committee.

### **V. ANNUAL PERFORMANCE EVALUATION**

The Committee shall perform a review and evaluation, at least annually, of its performance and its members, including reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess the adequacy of this Charter at least annually and recommend to the Board any changes in the Charter that the Committee considers necessary.