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SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 755)

SHANGHAI ZENDAI PROPERTY LIMITED (the “Company”)

TERMS OF REFERENCE OF AUDIT COMMITTEE (the “Committee”)

Membership

1. The Committee shall consist of not less than three members appointed by the board of directors of the Company (the “**Board**”), all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors. At least one member of the Committee shall be an independent non-executive director with appropriate professional qualifications or accounting or related financing management expertise.
2. The chairman of the Committee shall be appointed by the Board who must be an independent non-executive director.
3. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of 1 year from the date of his ceasing: (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is later.

Frequency and proceedings of meetings

4. The Committee should meet at least twice a year. Additional meetings should be held as the work of the Committee demands.
5. In addition, the chairman of the Committee may convene additional meetings at his discretion.
6. The quorum for a meeting shall be two members. Full minutes of meetings of the Committee should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary of the Company (“**Company Secretary**”). Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records, within a reasonable time after the meeting.

7. Unless otherwise specified herein, proceedings of meetings of the Committee shall be governed by the provisions of the bye-laws of the Company.

Authority

8. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.
9. The Committee shall report to the Board any suspected frauds and irregularities, failures of risk management, internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
10. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for its corporate governance report in its annual report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
11. The Committee is to be provided with sufficient resources to perform its duties.

Responsibility

12. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards to their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.
13. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal controls of the Company and its subsidiaries (the "**Group**"), and as to the adequacy of the external and internal audits.

Duties, powers and functions

14. The Committee is to:
 - (A) 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 resignation or dismissal of that auditor;
 - (B) review, together with the Group's management and/or external auditor if appropriate, the Group's financial controls, risk management and internal control systems, the financial and accounting policies and practices of the Group and the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;

- (C) have familiarity with and review the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (D) before audit commencement, review the external auditor's independence and objectivity, effectiveness of the audit process in accordance with applicable standards and discuss with the auditor the nature and scope of the external audit and reporting obligations. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;
- (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 judgements 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 the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting and auditing standards; and
 - (vi) compliance with the requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;
- (F) with regard to (E) above:
 - (i) members of the Committee must liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the external auditor; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such report and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (G) review the draft representation letter prior to approval by the Board;
- (H) evaluate the cooperation received by the external auditor; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs;
- (I) 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 including management's response to the points raised;
- (J) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;

- (K) apprise the Board of significant developments in the course of performing the above duties;
- (L) review arrangements by which employees, in confidence, can use to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action; employees can send email to the Company Secretary regarding such concerns and possible improprieties, the Company Secretary shall deliver such email for the Committee review in a confidential manner;
- (M) act as the key representative body for overseeing the Company's relations with the external auditor;
- (N) report to the Board on the matters referred to in these terms of reference; and
- (O) consider other topics, as defined by the Board;
- (P) 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;
- (Q) 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;
- (R) consider major investigations 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; and
- (S) 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.

Reporting Procedures

15. The Committee should report to the Board on a regular basis.

– END –

4 August 2016

* *For identification purpose only*