

**CHINA VANKE CO., LTD.**  
**IMPLEMENTATION RULES OF**  
**THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

**Chapter 1 General Provisions**

Rule 1 These implementation rules (the “Rules”) are formulated for the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) established by China Vanke Co., Ltd. (the “Company”) in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Listing Rules”), the Standards on Corporate Governance of Listed Companies, the Articles of Association of China Vanke Co., Ltd. (the “Articles of Association”) and other relevant regulations, in order to further strengthen the decision-making function of the Board, to conduct audit in advance and professional audit, ensure effective supervision over the management by the Board and optimize the corporate governance structure of the Company.

Rule 2 The Committee is a specialized working body set up by the Board according to the resolutions passed at general meetings and mainly responsible for the communication, supervision and review of the internal and external audits of the Company

**Chapter 2 Composition**

Rule 3 The Committee shall consist of three non-full-time directors, two of them are independent directors. At least one member of the Committee (the “Member(s)”) shall be an independent director with professional accounting background and another Member shall be an independent director with professional expertise in finance, accounting, management, economics or property development.

Rule 4 Members of the Committee shall be nominated by the previous session of the Board, the Chairman of the Board, more than half of the independent directors or one-third of the Board, and shall be elected by the Board.

Rule 5 The Committee shall have a convener (the “Convener”) who shall be an independent director. The Convener shall be responsible for leading the work of the Committee. The Convener shall be nominated by more than one-third of the Members of the Committee, and shall be elected by a simple majority vote.

Rule 6 The term of office of the Members shall be the same as that of the Board. A Member may serve successive terms if re-elected upon expiry of his/her term. If any Member ceases to be a director (or independent director) of the Company during his/her term of office, he/she shall automatically lose his/her position as a Member. The Board may consider the termination of office of a Member. Shall the number of the Members fall short of the minimum number required, such vacancy shall be filled by the Committee pursuant to the above Rules 5 to 7.

Rule 7 The Committee has an Audit Committee working team (“Audit Committee Working Team”), which acts as a daily operation unit, and is in charge of the day-to-day liaison and organization of meetings.

### **Chapter 3 Duties and Authorities**

Rule 8 Major duties and authorities of the Committee shall include:

- (a) to make recommendations on the appointment and replacement of the external auditor and submit the relevant resolutions to the Board;
- (b) to supervise the Company’s internal auditing system and its implementation, request the Company to comment on recommendations regarding management, and oversee the respective implementation progress;
- (c) to be responsible for communication between internal auditor and external auditor, and be entitled to convene individual meeting with auditors;
- (d) to review financial information of the Company and ensure the quality of financial information disclosure of the Company;
  - 1) the Committee shall negotiate with external auditors to confirm schedule in relation to audit of the annual financial statements, request external auditor to submit audit reports within agreed time frame, and record the means, frequency and results of such requests in written form bearing signatures of the relevant persons-in-charge.
  - 2) The Committee shall review the financial statements prepared by the Company prior to commencement of annual audit by external auditor, prepare written reports, and facilitate communication with external auditor after commencement of auditing. The Committee shall review the Company’s financial statements again after the external auditor provides preliminary audit opinion and formulate its written opinion.
  - 3) The annual financial statements shall be approved by vote by the Committee and the passed resolutions shall be submitted to the Board for review.
  - 4) The Committee shall submit summary report on annual audit by the external auditors to the Board.
- (e) to review the Company’s internal control system and perform audit on substantial connected transactions;
- (f) to have authority to convene meeting on the matters in relation to internal control with professional internal control departments of the Company
- (g) to implement annual action plan of the Committee upon the Board’s approval
- (h) to handle other matters delegated by the Board and perform other duties of audit committee as required by Hong Kong Listing Rules in due course.

Rule 9 The Committee is accountable to the Board, and proposals put forward by the Committee shall be submitted to the Board for review and approval. The Committee shall submit work report to the Board on a yearly basis. The Committee shall cooperate with the Supervisory Committee for supervisors’ audit activities, and has the authority to enquire the progress of audit activities of the Supervisory Committee.

## **Chapter 4 Decision-making Process**

Rule 10 The Audit Committee Working Team is responsible for preparatory work of the Committee's decision making and provides with the following relevant written materials of the Company:

- (1) the Company's relevant financial reports
- (2) work reports of internal and external auditors
- (3) agreements and the relevant work reports of external auditors
- (4) information disclosed by the Company
- (5) audit reports on the Company's substantial connected transactions
- (6) other related matters

Rule 11 Meetings shall be held by the Committee to appraise the report provided by Audit Committee Working Team and submit the relevant written resolutions to the Board for discussion:

- (1) performance evaluation of external auditors, as well as appointment and replacement of external auditors;
- (2) whether the Company's internal audit system has been effectively implemented and whether the Company's financial reports are complete and authentic;
- (3) whether such information as financial reports disclosed by the Company is authentic and objective and whether the Company's substantial connected transactions are in compliance with relevant laws and regulations;
- (4) performance evaluation of the Company's departments of finance and audit, as well as the respective persons-in-charge
- (5) other related matters.

## **Chapter 5 Rules of Procedure**

Rule 12 Meetings of the Committee are classified into regular meetings and provisional meetings. Regular meetings shall be held at least twice a year, and once in half a year. Provisional meetings can be convened by a Member and notice of such meetings shall be served to all Members of the Committee in advance. Meetings shall be chaired by the convener or another Member (independent director) in the absence of the convener.

Rule 13 At least two Members are required to form the quorum of a meeting of the Committee. Each Member shall be entitled to one vote; resolutions of a meeting must be adopted by affirmative votes of a simple majority of the Members.

Rule 14 Resolutions at the meetings of the Committee shall be passed by a show of hands or by poll. Meetings can be convened and voted by means of communication.

Rule 15 Members of the Audit Committee Working Team may attend meetings of the Committee. Where necessary, directors, supervisors and senior executives of the Company may be invited to attend the meetings.

Rule 16 Where necessary and upon approval of the Board, the Committee may appoint intermediary agencies to provide professional advice on its decision-making. The expenses incurred shall be borne by the Company.

Rule 17 The convening procedure, voting method of the meeting of the Committee as well as the resolutions passed at the meetings shall comply with the requirements of relevant laws, regulations, the Articles of Association and the Rules.

Rule 18 The Committee shall keep minutes of its meetings. Members present at a meeting shall sign the minutes of the meeting. The minutes shall be kept by the Secretary of the Board.

Rule 19 Passed resolutions and relevant voting results taken at a meeting of the Committee shall be reported in writing to the Board of the Company.

Rule 20 All Members present at a meeting are obliged to keep confidential all matters discussed at the Meeting and shall not disclose such information without authorisation.

#### **Chapter 6 Supplementary Provisions**

Rule 21 The Rules shall come into effect since the date of approval by the Board.

Rule 22 Any matters not specified in the Rules shall be implemented in accordance with relevant laws, regulations, regulatory documents and the Articles of Association of the Company. Should any of the Rules be found in conflict with relevant laws or regulations or regulatory documents issued on a later date or in conflict with the Articles of Association amended in a lawful procedure, the relevant laws, regulations or regulatory documents and the Articles of Association shall prevail, and the Company shall amend the Rules immediately, and submit to the Board for approval.

Rule 23 The power of interpretation of the Rules vested in the Board.

Board of Directors  
China Vanke Co., Ltd.  
23 June 2014