



CHINA VANKE CO., LTD.*

萬科企業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2202)

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 (the “Hong Kong Listing Rules”), the Standards on Corporate Governance of Listed Companies, the Articles of Association of the Company (the “Articles of Association”) and other relevant regulations, in order to further strengthen the decision-making function of the Board, to strengthen the internal control of the Company, to ensure effective supervision over the management by the Board and optimize the corporate governance structure of the Company.

Rule 2 The Committee of the Board is a specialized working body of the Board and is accountable to the Board. It shall perform its duties in accordance with the Articles of Association and as authorized by the Board, the proposals considered by the specialized working body shall be submitted to the Board for approval.

Chapter 2 Composition

Rule 3 The Committee shall consist of three non-executive directors who are not senior management of the Company and two of them shall be 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. Where the qualifications of the Members of the Committee are otherwise provided by the laws and regulations, rules of stock exchanges, other normative documents and the Articles of Association, such provisions shall prevail.

Rule 4 Members of the Committee shall be nominated by the Chairman of the Board or 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 with professional accounting background. 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 of all Members.

In the event that the Convener is unable to or fails to perform his/her duties, an independent director elected by more than half of the Members shall perform his/her duties.

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 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 3 to 5.

Rule 7 The Committee has an Audit Committee working team (the “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 exercise the powers and functions of the supervisory committee in accordance with the Company Law;
- (b) to be responsible for reviewing the financial information of the Company and its disclosure, overseeing and evaluating the internal and external audit as well as internal controls of the Company, and to review the Company’s financial and accounting policies and practices;
- (c) to be responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor, to handle any issues arising from the resignation or dismissal of that auditor, and to formulate policy on the provision of non-audit services by the external auditor;
- (d) to serve as the main channel of communication between the Company and the external auditor and to monitor the relationship between them;
- (e) to be responsible for reviewing the external auditor’s management letter, any material queries raised by the external auditor to the management about accounting records, financial accounts or internal control systems as well as responses from the management, and to ensure that the Board responds in a timely manner;
- (f) to ensure that the Company has appropriate channels in place, through which employees can report, in confidence, possible improprieties in financial reporting, internal control or other matters, and to ensure that the Company conducts fair and independent investigation of these matters and takes appropriate actions;

- (g) to examine and evaluate the Company's risk management system, including:
 - (1) to review the overall goal, fundamental policy and working system of the internal control and risk management;
 - (2) to review the establishment and duties of the Company's organizational structure of risk management;
 - (3) to review the assessment scope of specific risk and the solution of major risks of the Company;
- (h) other matters as prescribed by laws, administrative regulations, securities regulatory authorities of the State Council, rules of stock exchanges and the Articles of Association, and as authorized by general meetings and the Board.

Rule 9 The following matters shall be submitted to the Board for consideration after being approved by a majority of all Members of the Committee:

- (1) disclosure of financial information in financial and accounting reports and regular reports, and internal control evaluation reports;
- (2) the appointment or dismissal of the accounting firm that undertakes the Company's audit, including its remuneration and terms of engagement;
- (3) the appointment or dismissal of the Company's finance principal;
- (4) changes in accounting policies, accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards;
- (5) other matters as prescribed by laws, administrative regulations, securities regulatory authorities of the State Council and the Articles of Association.

Chapter 4 Rules of Procedure

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 in accordance with the job engagement needs of the Committee:

- (1) the Company's relevant financial reports;
- (2) work reports of internal and external auditors;
- (3) audit reports on the Company's substantial related party transactions;
- (4) relevant information on the Company's risk management;
- (5) other related information.

Rule 11 The meeting of the Committee is convened by the Convener, and shall notify all Members by written notice 3 business days in advance for the convening of meeting. Under special circumstances that require the Committee to make decision immediately, the convening of meeting shall not be subject to the requirements for the form of notice and notification period set out in the preceding paragraph for the sake of the Company's interests. The meeting notice of the Committee may be delivered to all Members and attendees by mail, fax, email or personal delivery.

Rule 12 The Committee shall meet at least once a quarter. The meeting of the Committee shall be convened within 10 business days in any of the following circumstances:

- (1) the Convener considers necessary;
- (2) the Chairman of the Board so requests;
- (3) more than two Members so request jointly.

Rule 13 If, after the written notice of meeting of the Committee is served, it is necessary to change the time, venue, etc. of the meeting or add, change or cancel proposals, the date of meeting shall be postponed accordingly or remain unchanged if agreed by all attending Members of the Committee.

Rule 14 The meeting notice of the Committee shall at least include the following items:

- (1) method, time and venue of the meeting;
- (2) time limit of the meeting;
- (3) agenda items to be discussed in the meeting;
- (4) date of notice of the meeting.

Rule 15 More than two thirds of the 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 16 Members of the Committee may attend the meetings in person or appoint other Members to attend and vote on their behalf. Where the Members of the Committee appoint other Members to attend and vote on their behalf, the power of attorney shall be submitted. The power of attorney shall be submitted to the Chairman of the meeting no later than the voting of the meeting. The power of attorney shall set out the name of the appointee, the scope of authorization and validity of the time limit of the proxy.

If a Member of the Committee fails to attend the meetings in person or by proxy, he/she shall be deemed to have waived his/her rights to vote at the meeting.

Rule 17 Meetings shall be chaired by the Convener or other independent directors authorized by the Convener in the absence of the Convener.

Rule 18 Meetings of the Committee shall be held on site (including by way of video conference and teleconference, etc.). As long as the Members can fully express their opinions, the meetings may be held by way of fax or email, etc., and resolutions passed shall be signed by all attending Members.

Where a meeting of the Committee is held by fax or email, etc., the number of attending Members shall be counted according to the valid votes such as fax or email, etc., actually received before the close of the meeting date as contained in the meeting notice.

Rule 19 The voting of the Committee shall be by a show of hands, poll, fax, email and other methods.

Rule 20 Members of the Audit Committee Working Team may attend meetings of the Committee. Where necessary, directors and senior executives of the Company may be invited to attend the meetings.

Rule 21 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 22 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 23 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 24 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 25 All personnel present at a meeting are obliged to keep confidential all matters discussed at the meeting and shall not disclose or disseminate such information in any form without authorization or permission.

Chapter 5 Supplementary Provisions

Rule 26 The Rules shall come into effect since the date of approval by the Board.

Rule 27 All references to “more than”, “within”, “below”, “at least” in the Rules shall be inclusive of the stated figure; all references to “over”, “not more than”, “other than” shall be exclusive of the stated figure.

Rule 28 Any matters not specified in the Rules shall be implemented in accordance with relevant laws, regulations, relevant regulatory rules of the place where the securities are listed and the Articles of Association of the Company. Should any of the Rules be found in conflict with relevant laws or regulations or relevant regulatory rules of the place where the securities are listed issued on a later date or in conflict with the Articles of Association amended in a lawful procedure, the relevant laws, regulations or relevant regulatory rules of the place where the securities are listed and the Articles of Association shall prevail.

Rule 29 The power of interpretation of the Rules shall be vested in the Board.