

AUDIT COMMITTEE CHARTER OF GUORUI PROPERTIES LIMITED

Revised and approved by the Board of Directors of the Company on December 30, 2015

1. General Provisions

1.1 Objective

In order to fulfill its duties of the Board better and ensure the management is under the effective supervision of the Board and improve its corporate governance structure, the Company has set up an Audit Committee under the Board (the “Committee” unless otherwise indicated) and prepared this Charter in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules of the Stock Exchange”), the Articles of Association and other pertinent regulations.

1.2 Status and Principle of the Committee

The Committee is a specialized working body set up by the Board pursuant to a resolution in a general meeting, which mainly responsible for the communication, supervision and inspection of internal and external audits. The Committee members are appointed by over 50% affirmative votes of the Board. The Committee reports to the Board regularly.

The principle of the Committee is to fulfill its duties and obligations with lofty professionalism, reasonably safeguard the Company’s best interest and fairly protect the interests of all shareholders, especially the interests of minority shareholders, in accordance with the applicable regulatory requirements.

1.3 Structure and Qualifications of the Committee

The Committee shall comprise at least three members. The Board may change such number when it deems necessary, provided that the minimum requirement by the applicable regulatory rules is met. All the Committee members shall be non-executive directors and more than half of the members shall be independent non-executive directors, and

- a. shall have no material affiliations with the Company;
- b. shall be in compliance with the requirement of “independency” by the applicable regulatory rules; and
- c. shall have expertise in areas such as finance, accounting and auditing and at least one of the Committee members should have an appropriate professional qualification which met the relevant regulatory requirement, or shall possess adequate knowledge in accounting or relevant financial management.

A former partner of the Company's existing external auditor should be prohibited from acting as a member of its Audit Committee for a period of one year from the date of his ceasing (whichever is the later):

- a. to be a partner of the external auditor; or
- b. to have any financial interest in the external auditor.

The Chairman of the Audit Committee (the "Chairman"), who shall be an independent non-executive Director, shall be nominated by the Board Chairman, or more than half of the independent non-executive Directors or one-third of the Directors and shall be appointed through election by the Board.

1.4 Terms of the Committee Members

The term of office for a Committee member shall be concurrent with the term of his/her Directorship. A Committee member may be re-elected for appointment upon conclusion of his/her term of office. Any Committee member, who ceases to be a Director or a non-executive Director or an independent non-executive Director of the Company, shall be automatically removed from the Committee, and the vacancy shall be filled pursuant to the applicable rules of the Company.

In the event that any Committee member tenders his/her resignation, or his/her removal has been agreed by more than half of the Directors, or ceases to act as a non-executive Director or an independent non-executive Director, the Board may terminate his/her term before the expiry date.

Any change in Committee member with simultaneous change in the Company Directors shall obtain the shareholders' approval in a general meeting to follow the procedures of change of Directors pursuant to the Articles of Association and a public announcement shall be made in accordance with the applicable regulatory rules.

1.5 Resignation of the Committee Members

Should any Committee member resign before the term expires, such member shall submit to the Company's Board through the Secretary of the Board a written resignation three months in advance, in which detailed explanations shall be given. Should any Committee member lose his/her position in the Committee due to his/her resignation from the position of an independent non-executive Director, the regular resignation procedures for the Committee members is not necessary. Upon his/her resignation from the position of an independent non-executive Director pursuant to the resignation procedures for the independent non-executive director, his/her position as a Committee member shall be automatically removed.

1.6 Others

The Company's Secretary of the Board shall be the secretary of the Committee.

2. Operation and Procedures of the Committee

2.1 Committee Meetings

The Committee shall hold at least two meetings once a year and meetings shall be held on major dates of an audit cycle. Should the Company's external auditor deem necessary, it may request the Committee to hold a special meeting.

A Committee meeting may not be held unless it is attended by more than half of its members, with at least one of them shall be an independent non-executive Director. Meetings may be held in person (at least once), by telephone or by video conference or by other telecommunications means.

The Committee may accept written resolutions in lieu of convening a Committee meeting and adopt resolutions by written votes without a meeting in person.

2.2 Convening and Presiding of Meetings

A Committee meeting shall be convened by Committee members themselves and the Secretary of the Board can assist them to convene the meetings. The Secretary of the Board may authorize the Office of the Board Chairman to assist in the specific arrangement of convening and preparation for such meeting.

The notice for a committee meeting shall be delivered to each member fourteen days prior to such meeting. The related agenda and documents for the meeting shall be delivered to each member three days prior to such meeting.

The Committee Chairman shall preside over its meetings. If the Chairman cannot attend a meeting, the attending members shall elect one of themselves to preside.

2.3 Resolutions

Each member has one vote and the passing of any resolutions of a Committee meeting shall be passed by over 50% affirmative votes of all Committee members.

The voting of a Committee meeting may be taken by hands or by poll.

Any resolutions of a Committee meeting shall be in written form and executed by attending members.

If written resolution is adopted, it takes effect when the meeting materials are delivered to all Committee members and affirmatively voting members reach the legitimate quorum for passing such resolution.

2.4 Minutes

A Committee meeting shall have complete and truthful minutes and they shall be properly maintained.

The Office of the Board Chairman shall be responsible for taking minutes of Committee meetings. The draft of the minutes shall be available to all Committee members within a reasonable time after the meeting for their review and comment and execution. Eventually, a final version will be sent to them for records.

The Secretary of the Board shall keep the original of the minutes in such manner and for such duration as determined by reference to the filing of Board documents.

The minutes shall be available for inspection by any Director at any reasonable time on reasonable notice by the Director.

2.5 Non-voting Attendance

When it deems necessary, the Committee may invite other Directors, the financial controller, accountants, staff for performing the function of internal audit or internal control and external auditors to attend a Committee meeting where the attendees have no voting right.

2.6 Ancillary Organ of the Committee

The Office of the Board Chairman shall coordinate and support the routine operation of the Committee.

3. Duties and Obligations of the Committee

3.1 Duties of the Committee

3.1.1 Relationship with the external auditor:

- a. the Committee shall be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approval of the remuneration and terms of engagement of the external auditor, and any matters involving its resignation or dismissal;
- b. the Committee shall review and monitor the external auditor's independence and objectivity;
- c. the Committee shall review and monitor the effectiveness of the audit process in accordance with applicable standards, and discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- d. the Committee shall 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;
- e. it shall act as the key representative body for overseeing the Company’s relations with the external auditor.

3.1.2 Review on the Company’s Financial Information

- a. To monitor the integrity of the financial statements, annual reports and accounts, half-year reports and quarterly reports (if any), and to review significant financial reporting judgments contained in them. In reviewing these statements and reports before submission to the Board, the Committee should focus particularly on:
 - (i) any changes in accounting policies and practice;
 - (ii) major judgment areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules of the Stock Exchange and legal regulations in relation to financial reporting.
- b. In regard to item a. above:
 - (i) the Committee members shall liaise with the Board and senior management;
 - (ii) the Committee shall meet at least twice a year with the Company’s external auditors; and
 - (iii) the Committee should consider any significant or unusual issues that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company’s accounting or financial reporting personnel, compliance officer (or person occupying the same position) or external auditors;

3.1.3 Oversight of the Company's financial reporting system, risk management and internal control systems

- a. to review the Company's financial controls, risk management and internal control systems;
- b. 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 the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- c. to 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;
- d. to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing; and to review and monitor its effectiveness;
- e. to review the financial and accounting policies and practices of the Company and its subsidiaries (collectively, the "Group");
- f. to review the management letter issued by external auditors to the management and any material queries raised by the external auditor to management about accounting records, financial accounts or control systems as well as the management's response to these;
- g. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- h. to report to the Board on the matters set out in this Terms of Reference;
- i. to consider topics or matters raised by the Board to the Committee; and
- j. to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

3.1.4 Corporate Governance Functions

- a. to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board of the Company;

- b. to review and monitor the training and continuous professional development of Directors and senior management;
- c. to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
- d. to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- e. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

3.1.5 Others Duties

- a. The Committee is authorized by the Board to inspect all accounts, books and records of the Company; and
- b. The Committee has the right to request from the Company's management any necessary documents and materials for the performance of its duties or seek explanations on any issues the Committee is concerned about. Senior management shall co-operate with the Committee.

3.2 Duties of the Committee Members

Each of the Committee members shall diligently and efficiently perform his/her duties and exercise his/her rights, in accordance with the applicable regulatory provisions and this Charter, including but not limited to:

- a. be conscientious, reasonably safeguard the best interests of the Company, fairly protect the interests of all shareholders, especially the interests of minority shareholders;
- b. attend a Committee meetings in person, or authorize other members to attend on his or her behalf by written proxy, which shall state the scope of authorization, when he or she is unable to attend;
- c. carefully review any documents and resolutions submitted to the members;
- d. keep adequate and effective communication with the management, the internal audit department of the Company and external auditors;
- e. all members attending any Committee meetings shall have the obligation to keep confidential all matters discussed at such meetings and shall refrain from unauthorized disclosures of information relating thereto.

3.3 Others

- 3.3.1 The Committee shall report to the Board by submitting regularly reports to the Board, and any proposal from the Committee should be submitted to the Board for consideration and approval.
- 3.3.2 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report of the Annual Report a statement from the Committee explaining its recommendation as required by the Listing Rules of the Stock Exchange and also the reason why the Board has taken a different view.
- 3.3.3 An audit centre is set up under the Committee, and the Committee shall ensure co-ordination between the internal audit centre and the external auditor(s), and to ensure that the audit centre is operating with adequate resources, has appropriate standing within the Company, and to monitor the audit centre.
- The Committee shall, at least once a year, meet the external auditor(s) and the internal auditor(s) without the present of other executive Directors.
- 3.3.4 The Committee shall establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.
- 3.3.5 The Committee Chairman shall attend the Company's annual general meeting to answer shareholders' questions on the Committee's activities.
- 3.3.6 The Committee shall make available the terms of reference on request, explaining its role and the authority delegated to it by the Board, by inclusion on the Stock Exchange's and the Company's websites.

4. Compensation and Budget of the Committee

4.1 Compensation of the Committee

The compensation of the Committee shall be determined and approved by the Board and can be paid in form of cash, stocks or options. The Committee members shall not directly or indirectly receive from the Company any consulting fees, advising fees or any other compensation, except for:

- a. compensation received as a Director (including any compensation and other benefits paid to all Directors) and compensation received as an employee in playing the role of an employee representative;
- b. compensation for a position in any committee under the Board; or

- c. pension or other deferred compensation for the service that a Director has provided (provided that such compensation is not contingent upon any other service that a Director has to provide in any way in the future).

4.2 Budget of the Committee

For the performance of its duties, the Committee shall have its necessary budget and other resources which shall be borne by the Company, including:

- a. members of the Committee will be entitled to seek independent professional advice in order to be able to perform their duties, and payment by the Company for the expenses of the audit, review or attestation by the external auditor;
- b. total expenses relating the appointment of any external advisors by the Committee; and
- c. all necessary or appropriate administrative expenses for the Committee to perform its duties.

5. Appendixes

5.1 Validity and Interpretation

This Charter shall take effect upon the passing by a Board resolution and the Board shall be responsible for the interpretation hereof. Any issues not covered hereunder shall follow the applicable regulatory provisions and the Articles of Association of the Company.

5.2 Amendment and Termination

Any amendment or termination of this Charter is subject to the Board's resolution.

5.3 Publishing of this Charter

This Charter will be published on the websites of the Company and the Stock Exchange of Hong Kong Limited according to the Listing Rules of the Stock Exchange.