

Rules of Procedure of the Audit Committee of the Board of Directors of China Tourism Group Duty Free Corporation Limited

(Considered and approved by the Board of Directors and the general meeting)

Chapter 1 General Provisions

Article 1 In order to set up and regulate the audit system and procedures of China Tourism Group Duty Free Corporation Limited (the “Company”), the Board of Directors has established the Audit Committee (the “Committee”) and formulated these Rules of Procedure in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the relevant regulatory rules of the securities regulatory authority and the stock exchange at the place where the securities of the Company are listed, as well as the Articles of Association of China Tourism Group Duty Free Corporation Limited (the “Articles of Association”), the Rules of Procedure of the Board of Directors of China Tourism Group Duty Free Corporation Limited and other relevant requirements.

Article 2 The Committee is a special working body established under the Board of Directors of the Company, providing consultation or making recommendation in relation to decision-making of the Board of Directors, and it is accountable to the Board of Directors and reports on the relevant work of supervision, verification and internal control.

Article 3 These Rules of Procedure are applicable to the Committee and the relevant persons and departments involved in these Rules of Procedure.

Chapter 2 Composition of the Committee

Article 4 The Committee shall comprise at least three to five (3-5) directors, and shall consist of non-executive directors only, of which the majority of the members shall be independent directors (that is, independent non-executive directors). Members of the Committee shall have professional knowledge and business experience in the areas of, among others, finance or law, compatible with their duties and responsibilities, and at least one (1) member shall have appropriate professional qualifications or expertise in accounting or relating to financial management, and in compliance with the qualification requirements for financial professionals of the audit committee as required by the stock exchange at the place where the securities of the Company are listed. Members of the Committee shall be nominated by the Chairman of the Board of Directors, and subject to discussion and approval by the Board of Directors.

Former partners of an external audit firm which is responsible for auditing the accounts of the Company are forbidden to become a member of the Committee within two years from the following dates (whichever is the later):

- (1) the date of ceasing to be a partner of such external audit firm; or
- (2) the date of ceasing to be entitled to the financial benefits of the external audit firm.

Article 5 The Committee shall have one chairman, who is a member and an independent director. The chairman shall have relevant professional experience in accounting or financial management, and is responsible for presiding over committee work. The chairman shall be nominated by the Chairman of the Board of Directors and appointed by the Board of Directors.

Article 6 The term of office of the Committee shall be consistent with the term of office of the same session of the Board of Directors, and the term of office of a member shall be consistent with that of a director of the same session. A member may be re-elected for consecutive appointments upon expiration of his/her term of office. If a member of the Committee ceases to be a director of the Company during his/her term of office, he/she will be automatically disqualified as a member, and the Committee will fill vacancy according to the requirements of these Rules of Procedure.

A member of the Committee may be appointed concurrently to act in positions of other special committees under the Board of Directors provided he/she is competent to perform the duties and responsibilities.

Article 7 A member of the Committee may tender his/her resignation report in writing to the Board of Directors for resignation from his/her position before the expiration of his/her term of office, and the reasons for resignation and any matters that require attention from the Board of Directors of the Company shall be stated with necessary explanation in the resignation report.

Article 8 Change may be made to the members of the Committee during their terms of office after discussion and approval by the Board of Directors upon proposal by the Chairman of the Board of Directors.

Article 9 When the number of members in the Committee falls below the required number of members stipulated in these Rules of Procedure, the Board of Directors shall fill the vacancies in accordance with the requirements of these Rules of Procedure.

Chapter 3 Duties and Responsibilities of the Committee

Article 10 The primary duties and responsibilities of the Committee are:

- (1) To supervise and evaluate external audit work
 1. Making proposals to the Board of Directors on the appointment, re-appointment and change of external audit firms, making recommendations to the Board of Directors on the remuneration and terms of appointment of external audit firms, and handling any issues relating to the resignation or removal of such audit firms.
 2. Evaluating and monitoring the external audit firm based on applicable standards to see whether it is independent, objective and whether the auditing procedures are effective; the Committee shall discuss with the audit firm about the nature, scope and relevant reporting responsibilities of the audit before commencement of auditing work. In order to conduct the investigation on the independence of the external audit firm, the Committee is required to complete the following tasks: studying the relationship between the Company and the audit firm (including non-audit services); asking for materials from the audit firm in each year to understand the policy and procedures adopted by the audit firm to maintain its independence and supervise the execution of such rules, including the requirements of altering audit firm partners; meeting with the external audit firm at least once a year in the absence of the management to discuss matters relating to auditing fees, any matters arising from the auditing work and other matters raised by the audit firm.

3. Formulating, and implementing, policies for the appointment of an external audit firm to provide non-audit services. For the purpose of this provision, “an external audit firm” includes any entity that is under common control, ownership or management with the company responsible for auditing, or a third party who has reasonable knowledge about all relevant information will determine under reasonable circumstances that such entity is an entity which is part of the domestic or international business of the company responsible for auditing. The Committee shall report to the Board of Directors, and make proposals, on any action or improvement considered to be necessary.

(2) To provide guidance for internal auditing work

1. Reviewing the annual internal audit work plan of the Company.
2. Supervising the implementation of the internal audit plan of the Company.
3. Reviewing the internal audit work report, evaluating the results of internal audit work, and supervising the rectification of material problems.
4. Guiding and monitoring the effective operation of the internal audit department.
5. Ensuring the internal audit function has sufficient internal resources, and an appropriate position, to operate in the Company.
6. Making recommendations on the appointment or removal of the person-in-charge of the internal audit department in the Company.

The internal audit department of the Company is required to report its work to the Committee. Various types of audit reports, rectification plans for auditing problems and the status of rectification submitted to the management by the internal audit department are required to be delivered concurrently to the Committee.

(3) To review the financial report of the Company

Reviewing and monitoring the truthfulness, completeness and accuracy of the financial statements and regular reports of the Company, and reviewing the material opinions on financial reporting contained in the statements and reports, paying special attention to the possibility of whether fraud, misconduct and serious error relating to the financial statements and reports exist. For this purpose, prior to the submission of regular reports of the Company to the Board of Directors, when the Committee reviews the relevant statements and reports, it shall focus on the following matters:

1. any changes in accounting policies and practices;
2. where significant judgements are involved;
3. significant adjustments arising from the audit;

4. the going concern assumption of the enterprise and any qualified opinions;
5. whether accounting standards have been complied with; and
6. whether other legal requirements relating to financial reporting have been complied with.

For the purpose of item (3) as stated above, the members of the Committee are required to communicate with the Board of Directors, the senior management of the Company and the persons appointed as qualified accountants of the Company. The Committee shall hold at least two meetings with the external audit firm of the Company in each year; the Committee shall consider any material or abnormal events reflected or that need to be reflected in such reports and accounts, and shall duly consider any matters raised by the qualified accountant or audit firm of the Company.

- (4) To evaluate the effectiveness of internal control, examine and supervise the effective operation of the internal control system and risk management system of the Company
 1. Reviewing and evaluating the systems of financial control and internal control and the risk management system of the Company. Conducting discussions on the internal control system with the management to ensure that the management has performed its duty of establishing an effective internal control system, including considering whether the resources, staff seniority and experience are sufficient in the accounting and financial reporting functions of the Company, and whether the training courses for staff and the relevant budget are sufficient.
 2. Supervising the effective implementation of internal control and the self-evaluation condition of internal control, coordinating the audit for internal control, supervising the rectification of internal control deficiency and other relevant matters.
 3. Evaluating the financial and accounting policies and practices of the Company and its group;
 4. Reviewing the internal control audit report issued by the external audit firm, as well as the problems discovered through communication with the external audit firm and their improvement methods. Acting proactively or upon delegation by the Board of Directors to examine the Explanatory Letter on Auditing provided by the external audit firm to the management, any material questions raised by the audit firm to the management in respect of accounting records, financial accounts or control systems and the reply from the management; ensuring the Board of Directors gives timely reply to matters mentioned in the Explanatory Letter on Auditing issued by the external audit firm to the management.
 5. Ensuring the coordination of working tasks between internal and external audit entities; ensuring the internal audit function has sufficient internal resources and appropriate position to operate within the Company; as well as evaluating and monitoring whether the internal control function is effective.

6. Evaluating the following arrangements made by the Company: staff of the Company may raise concern on any impropriety possibly occurred in the areas of financial reporting, internal control or other aspects under confidential circumstances. The Committee shall ensure that appropriate arrangement will be made to enable the Company to conduct fair and independent investigation, and take appropriate action, on such matters.
- (5) To coordinate communication among the management, internal audit department and the relevant departments with the external audit firm.
 1. Coordinating communication between the management and the external audit firm on material auditing issues.
 2. Coordinating communication between the internal audit department and external audit firm as well as cooperation with the work of the external audit firm.
 3. Acting as the primary representative for the Company in communicating with the external audit firm and overseeing their relationship.
- (6) To report to the Board of Directors on the matters mentioned above and other matters as stated in Code Provision C.3.3 (and the provision as amended from time to time) of Appendix 14 to the Hong Kong Listing Rules, and report to the Board of Directors in respect of the decisions or recommendations made by the Committee, unless such reporting is prohibited by legal or regulatory restrictions.
- (7) To perform other duties and responsibilities as required or conferred by laws, administrative regulations, relevant regulatory rules of the securities regulatory authority and the stock exchange at the place where the securities of the Company are listed, these Rules of Procedure and the Board of Directors.

Article 11 Duties of the chairman of the Committee are:

- (1) to convene and preside over meetings of the Committee;
- (2) to supervise and inspect the work of the Committee;
- (3) to sign relevant documents of the Committee;
- (4) to report to the Board of Directors of the Company on the work of the Committee;
- (5) to perform other duties and responsibilities as required or conferred by laws, administrative regulations, relevant regulatory rules of the securities regulatory authority and the stock exchange at the place where the securities of the Company are listed, these Rules of Procedure and the Board of Directors.

Article 12 Primary duties of the members are:

- (1) to attend meetings of the Committee as scheduled, express opinions on matters for discussion at the meetings, and exercise voting rights;
- (2) to suggest topics for discussion at the meetings of the Committee;
- (3) to attend or sit-in the relevant meetings of the Company as audience and conduct investigative studies and obtain the required relevant information, such as reports, documents and information, for the purpose of performing duties;
- (4) to fully understand the duties and responsibilities of the Committee and his/her own duties as a member of the Committee, familiarize with the operation and management conditions, business activities and development status of the Company relating to his/her duties, ensure his/her capabilities in performing his/her duties;
- (5) to provide full assurance for the working time and efforts required to perform his/her duties;
- (6) to perform other duties and responsibilities as required or conferred by laws, administrative regulations, relevant regulatory rules of the securities regulatory authority and the stock exchange at the place where the securities of the Company are listed, these Rules of Procedure and the Board of Directors.

Article 13 If necessary, the Audit Committee may employ an intermediary to provide professional advice, and the relevant fees shall be borne by the Company.

Article 14 The Audit Committee is accountable to the Board of Directors, proposals from the Committee shall be submitted to the Board of Directors for consideration and decision. For the appointment or change of the external audit firm by the Company, the Audit Committee shall prepare an opinion for consideration and make a recommendation to the Board, then the Board may consider the relevant resolution. The Audit Committee shall cooperate with the auditing activities performed by supervisors of the Supervisory Committee.

Chapter 4 Meetings of the Committee

Article 15 The Committee shall convene at least four regular meetings per year. The Committee may convene extraordinary meetings on irregular basis according to its needs. The Committee may convene an extraordinary meeting under any of the following circumstances:

- (1) when it is necessary in the opinion of the Board of Directors;
- (2) when it is necessary in the opinion of the chairman of the Committee;
- (3) when proposed by more than two (2) members.

Article 16 The Office of the Board of Directors shall be responsible for duly delivering the notice of meeting by hand, by fax, by email or by other means to all members of the Committee and the relevant persons invited to attend the meeting as audience five (5) days prior to the date of convening the meeting. But under special or emergency circumstances, the aforementioned notice period for convening an extraordinary meeting may be exempted. The contents of the notice of meeting shall include the method, time, venue and agenda for convening a meeting, the issue date of the notice and the relevant information.

Article 17 After the members of the Committee have received the notice of meeting, they shall acknowledge receipt on a timely basis through an appropriate method, and feedback with the relevant information (including but not limited to whether he/she will attend the meeting, the arrangement of itinerary, etc.).

Article 18 The members of the Committee shall attend the meeting in person. If a member is unable to attend a meeting in person, he/she may submit an authorization letter signed by him/her to appoint another member of the Committee to attend the meeting on his/her behalf to express opinions. The authorization letter shall state clearly the scope and period of authorization. Each member shall not accept authorizations from more than two (2) members at the same time.

If a member, who is independent director, is unable to attend the meeting in person for some reasons, he/she shall authorize another member who is also an independent director to attend on his/her behalf.

The authorized member who attends the meeting on behalf of another member shall exercise the rights within the scope of authorization. If a member is unable to attend the meeting of the Committee in person, but has not authorized another member to exercise his/her rights on his/her behalf, and has not submitted any opinions in writing prior to the meeting, he/she will be deemed to have abstained from exercising his/her rights.

If a member is unable to attend a meeting in person, he/she may submit opinions in writing with respect to the matters on the agenda to exercise his/her rights. But the opinions in writing shall be submitted to the Office of the Board of Directors the latest before convening the meeting.

Article 19 If a member of the Committee fails to attend the meetings of the Committee in person for two times consecutively, and does not appoint other members as representative nor submit any opinions in writing before the meetings, or if the number of meetings of the Committee that a member has attended in person within a year is less than three-fourths, such member will be deemed to have failed in performing his/her duties, the Board of Directors may adjust the members of the Committee according to these Rules of Procedure.

Article 20 A meeting of the Committee shall be convened when more than two-thirds of the members are present, each member has one vote, ; and a resolution made by the meeting shall be passed by more than half of all members. A meeting shall be presided by the chairman of the Committee, and if the chairman of the Committee is unable to attend the meeting, another member who is an independent director may be authorized to chair the meeting.

Article 21 When a discussion is conducted at the meeting of the Committee to study the matters on the agenda of the meeting, members of the Committee shall express their own opinions clearly, independently and sufficiently based on their own judgement, and if unanimous opinions cannot be reached, it shall be recorded in the meeting summary for submission to the Board of Directors.

Article 22 Meetings of the Committee shall be convened in the form of physical meetings. Under special circumstances, to ensure that the members of the Committee will be able to express their opinions sufficiently, upon consent given by the chairman of the Committee, the meeting may be convened through communication means. When a meeting is convened through communication means, the members of the Committee shall submit their opinions in writing on the matters of the agenda to the Committee within the period specified in the notice of meeting.

Article 23 If necessary, the Committee may invite directors of the Company, relevant senior management officers, the relevant experts of the Company or experts and academics in society, as well as intermediaries and relevant persons to attend the meeting as audience. Persons who attend the meeting as audience shall give explanation and presentation as requested by the members of the Committee.

Article 24 If a member of the Committee is interested in the matters to be discussed at the meeting of the Committee, such member shall abstain from attending the meeting.

Article 25 All persons who are attending a meeting are obliged to keep confidential all the matters which have been considered at the meeting, and they are forbidden to disclose any related information without authorization.

Chapter 5 Working Organization of the Committee

Article 26 The Secretary to the Board of Directors shall be responsible for organizing and coordinating the Committee to work with various relevant departments. The Secretary to the Board of Directors shall attend the meetings of the Committee as audience.

Article 27 The audit department of the Company is the working organization of the Audit Committee, whose person-in-charge shall act concurrently as the secretary to the Committee. The Office of the Board of Directors of the Company and the relevant departments of the Company shall cooperate with each other to complete the relevant tasks of the Committee together.

Article 28 The Office of the Board of Directors shall be responsible for the preparation and issue of notice of meetings and other committee affairs.

The audit, finance and legal departments of the Company shall be responsible for preparing and providing relevant information relating to the matters on the agenda for the meeting, and be also responsible for communication with the relevant departments (including the relevant experts of the Company, or experts and academics in society, and intermediaries engaged by the Committee in the process of consideration at the meeting).

The audit, finance and legal departments of the Company shall be responsible for formulating the relevant working system and procedures for the provision of services by the Committee according to the duties and responsibilities of the Committee, and submit the same to the Board of Directors for information and filing.

The relevant functional departments of the Company shall be responsible for providing services to the Committee to support and cooperate with the work of the Office of the Board of Directors, as well as the audit, finance and legal departments.

Chapter 6 Minutes of Meeting and Meeting Summary of the Committee

Article 29 Minutes of meeting shall be compiled for the meetings of the Committee. The minutes of meeting shall be prepared by the secretary to the Committee, and shall include the following contents:

- (1) the serial number of the meeting and the method, date, venue of convening the meeting and the name of the person who chairs the meeting;
- (2) the persons who are present at the meeting, absent from the meeting and whose authorized representatives attend the meeting;
- (3) the names and positions of the persons who attend the meeting as audience;
- (4) the agenda of the meeting;
- (5) the main points of speech of the members and the relevant persons attending the meeting as audience;
- (6) the name of the person who compiles the minutes of meeting;
- (7) the minutes of meeting shall also specify the abstention from voting by members with conflicts of interest (if any). Members who are present at the meeting and the Secretary to the Board of Directors who attend the meeting as audience shall sign their names on the minutes of meeting of the Committee. The minutes of meeting shall be delivered to all members of the Committee within reasonable time after the meeting for seeking their comments.

Article 30 After convening a meeting of the Committee, the secretary to the Committee shall be responsible for preparing the meeting summary for the Committee according to the studies and discussions conducted at the meeting.

In addition to submitting the meeting summary to the Board of Directors of the Company, the meeting summary shall also be issued to all members of the Committee, the Secretary to the Board of Directors and the Office of the Board of Directors, the audit, finance and legal departments and the relevant departments and their staff.

Article 31 The minutes of meeting, meeting summary, authorization letter, written opinions of members and other meeting materials arising from the meetings of the Committee shall be kept by the Office of the Board of Directors in accordance with the relevant filing management system of the Company.

Chapter 7 Supplemental Provisions

Article 32 Unless specified otherwise, the terms used in these Rules of Procedure shall have the same meanings as those used in the Articles of Association.

Article 33 These Rules of Procedure are formulated, considered and approved by the Board of Directors of the Company, and shall be effective and implemented from the date of public issuance of H Shares of the Company and listing on the Hong Kong Stock Exchange. Commencing from the date on which these Rules of Procedure become effective, the original Rules of Procedure of the Audit Committee of the Board of Directors shall lapse automatically.

Article 34 Any matters not provided in these Rules of Procedure shall be executed in accordance with the relevant national laws, regulations, departmental rules, the relevant regulatory rules of the securities regulatory authority and the stock exchange at the place where the securities of the Company are listed and the provisions of the Articles of Association.

If these Rules of Procedure have conflicts with the national laws and regulations promulgated in future, the relevant regulatory rules of the securities regulatory authority and the stock exchange of the place where the securities of the Company are listed, and the amended Articles of Association in compliance with legal procedure, the provisions of the relevant laws, regulations and Articles of Association shall prevail, and these Rules of Procedure will be amended accordingly for consideration and approval by the Board of Directors.

Article 35 The Board of Directors of the Company shall have the rights of interpretation and amendment of these Rules of Procedure.

Article 36 These Rules of Procedure are compiled in English and Chinese versions, and if any discrepancy arises between the English and the Chinese versions, the Chinese version shall prevail.