



Zhenro Properties Group Limited

正榮地產集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6158)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Constitution

1. The audit committee (the “**Committee**”) is established pursuant to a resolution passed by the board of directors (the “**Board**”) of Zhenro Properties Group Limited (the “**Company**”) on December 15, 2017, and is amended on December 24, 2018.

Membership

2. Members of the Committee shall be appointed by the Board from the non-executive directors only and shall consist of not less than three members, a majority of whom, including the chairman, shall be independent non-executive directors.
3. At least one of the independent non-executive directors serving as a member of the Committee shall have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
4. A former partner of the existing auditing firm of the Company shall not act as a member of the Committee for a period of two years from the date of his/her ceasing (a) to be a partner of such firm; or (b) to have any financial interest in the firm, whichever is later.
5. If a member resigns, ceases to be a director or for any other reason ceases to be a member of the Committee resulting in the number of members to fall below the minimum, the Board shall, within three months of that event, appoint such number of new members as may be required to make up the minimum.

6. The Board or the Committee shall from time to time appoint any particular member of the Committee or any officer or employee of the Company or its subsidiaries as the secretary of the Committee. In the absence of the secretary of the Committee, the remaining members present shall elect one of themselves or appoint another person as the secretary for that meeting.

Frequency of meetings

7. The Committee shall meet not less than twice a year. Additional meetings may be held as and when required.
8. The Committee shall meet with the external auditors at least twice a year. At least once a year, the Committee shall meet with the external auditors without the management present. The external auditors may request a meeting if necessary.

Notice of meetings

9. A meeting of the Committee may be convened by any of its members or the secretary of the Committee.
10. Unless otherwise agreed by all the members of the Committee, notice of each meeting stating the time, date and place of the meeting shall be given to each member of the Committee and any other person invited to attend at least seven days prior to the date of the meeting.
11. Agenda and any supporting documents and papers shall be forwarded to each member of the Committee and any other person invited to attend at least three days prior to the date of the meeting (or such other period as the members may agree).

Proceedings of meetings and resolutions

12. No business shall be transacted at any meeting of the Committee unless a quorum is present. The quorum of a meeting shall be two members of the Committee (at least one of whom should be an independent non-executive director).
13. Only members of the Committee have the right to attend Committee meetings. Other persons including but not limited to any director, management, external auditors, external advisor or consultant may be invited by the Committee to attend for all or part of any meeting as and when appropriate.

14. Meetings of the Committee may be held either in person or through electronic means of communication or in such other manner as the members may agree.
15. Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present. Each member of the Committee shall have one vote. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.
16. Members must abstain from voting in respect of any resolution which he/she is an interested party.
17. A resolution in writing signed by all members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee. Any such resolution may be contained in a single document or may consist of several documents in like form each signed by one or more of the members of the Committee.
18. Draft and final versions of minutes of the Committee meetings shall be sent to all Committee members for their comment and records respectively within a reasonable time after the meeting.
19. The secretary of the Committee shall cause full minutes with sufficient details to be made in books to be provided for the purpose of the proceedings of all meetings of the Committee and of the attendances thereat and of all business transacted, resolutions passed and orders made at such meetings. Such minutes of meetings of the Committee shall be open for inspection at any reasonable time on reasonable notice by any Director.

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22. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any lo anto eanyto c e lrd ahv sy u

Review of the Company's financial information

(e) monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, review significant financial reporting judgments 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 audit;
- (iv) the going concern assumptions and any qualifications;
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- (h) 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;
- (i) consider major investigation 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;
- (j) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (k) review the financial positions and accounting policies and practices of the Company and its subsidiaries;
- (l) review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (m) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) review arrangements 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;
- (o) act as the key representative body for overseeing the Company's relations with the external auditor;
- (p) report to the Board on the matters set out herein;
- (q) The Committee should establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company; and
- (r) consider other topics, as defined by the Board.

Reporting procedures

26. The Committee shall report directly to the Board on its findings, decisions and/or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements). At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings, decisions and/or recommendations of the Committee to the Board. The secretary of the Committee shall also circulate the minutes of meetings, reports and/or written resolutions (if any) of the Committee to all members of the Board.

Corporate Governance report

27. The work of the Committee during each financial year shall be summarized in the Corporate Governance Report which constitutes part of the annual report.

Annual general meeting

28. The chairman of the Committee or in his/her absence, another member of the Committee or failing this, his/her duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Committee's work and its responsibilities.

Amendment

29. Subject to the compliance with the articles of association of the Company and the Listing Rules, any amendment to these terms of reference shall be authorized by the Board.

Publication

30. The Committee shall make available these terms of reference by publishing them on the websites of The Stock Exchange of Hong Kong Limited and the Company.

(If there is any inconsistency between the English and Chinese version of these terms of reference, the English version shall prevail.)