

**Terms of Reference of the Audit Committee  
under the Board of Directors of  
Jinshang Bank Co., Ltd.**  
(Applicable after the listing of H Shares)

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## **Chapter I General Provisions**

**Article 1** In order to improve the level and efficiency of the audit supervision of Jinshang Bank Co., Ltd. (hereinafter referred to as the Bank) and perfect the corporate governance of the Bank, the Board of Directors of the Bank has established the Audit Committee and formulated these Terms of Reference in accordance with provisions of Company Law of the People's Republic of China, Commercial Banking Law of the People's Republic of China, Guidelines on Corporate Governance of Commercial Banks, Guidelines on Internal Audit of Commercial Banks, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as Hong Kong Listing Rules) and other laws, administrative regulations, departmental rules, regulatory documents, Articles of Association of Jinshang Bank Co., Ltd. (applicable after the listing of H Shares) (hereinafter referred to as Articles of the Bank), and the Rules of Procedure of the Board of Directors of Jinshang Bank Co., Ltd. (applicable after the listing of H Shares).

**Article 2** The Audit Committee is a specific working body established under the Board of the Bank and is accountable to the Board. It is mainly responsible for the organization, communication, supervision and inspection of the internal and external audit of the Bank.

## **Chapter II Composition and Administrative Bodies**

**Article 3** Members of the Audit Committee shall be non-executive directors, and shall not be less than three. Members of the Audit Committee shall have expertise and work experience in finance, auditing, and accounting to handle complex financial, operational, and other related matters. The number of independent directors in members of the Audit Committee shall be more than half of the total number of members, and at least one of them shall be an independent director with appropriate professional qualifications as required by the Hong Kong Listing Rules or with appropriate accounting or related financial management expertise.

**Article 4** Former partners of the accounting firm currently responsible for account auditing of the Bank shall not serve as a member of the Audit Committee within two years from the date below (whichever is later):

- (1) the date of termination of the partnership with the accounting firm;
- (2) the date of termination of the entitlement to financial interests of the accounting firm.

**Article 5** The term of office of the members of the Audit Committee shall be the same as that of the Directors. A member of the Audit Committee may serve consecutive terms if re-elected upon the expiration of his/her term, but not for more than two terms. If any member ceases to be a director of the Bank or any member who should be an independent director no longer possess such independence as required by relevant laws and regulations, Hong Kong Listing Rules or Articles of the Bank, he/she shall automatically lose his/her position as a member of the Audit Committee, and the Board shall fill the vacancy in accordance with the provisions of Articles of the Bank and other relevant regulations.

**Article 6** Members of the Audit Committee shall be nominated by the Chairman of the Board in accordance with the regulatory requirements and the professional expertise of the directors, and shall be reviewed and approved by the Board. The Audit Committee shall have a chairman who shall be an independent director and be responsible for chairing the Committee.

**Article 7** The duties of the chairman of the Audit Committee shall include but are not limited to:

- (I) leading the Committee and ensuring that the Committee operates effectively and performs its duties;
- (II) convening and presiding over the Committee meetings and determining the agenda for each Committee meeting in accordance with the provisions of these Terms of Reference;
- (III) ensuring that all Committee members attending the Committee meetings are aware of the matters discussed by the Committee and that the members have received complete and reliable information;
- (IV) ensuring that the Committee conducts discussions on all key and appropriate matters in a timely manner, and that each issue discussed has clear and unambiguous conclusions.

**Article 8** When the chairman is unable to or fails to perform his/her duties, more than half of the members shall jointly recommend a member to perform duties on the chairman's behalf.

**Article 9** The Audit Committee shall have administrative bodies, which shall consist of the working body and the secretarial body.

**Article 10** The Audit Department of the Bank shall be the working body of the Audit Committee, responsible for the preparation of meeting proposals and draft resolutions, and the implementation of meeting resolutions. The Board Office of the Bank shall be secretarial body of the Audit Committee, responsible for meeting organization, meeting arrangements, meeting notices, meeting resolutions, filing of meeting minutes, keeping and submission of meeting materials, and standardization of meeting documents.

### **Chapter III Job Duties**

**Article 11** The Audit Committee shall fulfill the following duties:

- (I) reviewing the Bank's risks and compliance, accounting policies, financial reporting procedures and financial condition; reviewing the Bank's financial controls, and risk management and internal control systems; and reviewing the Bank's financial and accounting policies and practices;

- (II) supervising the internal controls of the Bank, discussing risk management and internal control systems with the management, and ensuring that the management has fulfilled its duties to establish effective systems. The discussion shall include the adequacy of the Bank's resources in the accounting and financial reporting functions, staff qualifications and experience, and the sufficiency of the training sessions taken by employees and related budgets; reviewing the Bank's core business and management rules and regulations and their implementation, inspecting and evaluating the compliance and effectiveness of the Bank's major business activities;
- (III) considering on its own initiative or as delegated by the Board, major investigation findings on risk management and internal controls and the management's response to these findings;
- (IV) monitoring the integrity of the Bank's financial statements, annual reports, accounts, semi-annual reports and (if intended to be published) quarterly reports, and reviewing major opinions on financial reporting contained in statements and reports. Before submitting relevant statements and reports to the Board, the Audit Committee shall review the following matters in particular:
  - 1. any changes in accounting policies and practices;
  - 2. aspects involving important judgments;
  - 3. major adjustments due to audits;
  - 4. assumptions and any reservations about corporate continuing operations;
  - 5. compliance with accounting standards; and
  - 6. compliance with the Hong Kong Listing Rules and legal requirements for financial reporting;
- (V) Regarding the sub-paragraph (IV) above, members of the Audit Committee shall liaise with the Board and senior management. The Audit Committee shall meet with the external auditor of the Bank at least twice a year; and the Audit Committee shall consider any material or unusual items that are reflected or may need to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the accounting and financial reporting staff, the head of the compliance department or the external auditor of the Bank;
- (VI) reviewing the annual financial statements and making recommendations to the Board;
- (VII) reviewing the Bank's financial information and its disclosure, reviewing the Bank's major financial policies and their implementation, supervising the financial operations; monitoring the authenticity of financial reports and the effectiveness of the management's implementation of financial reporting procedures;

- (VIII) inspecting, supervising and evaluating the internal audit works of the Bank, supervising the internal audit system of the Bank and its implementation; and evaluating the working procedures and working effect of the internal audit department;
- (IX) being responsible for the annual audit of the Bank, advising the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of employment of the external auditor, and handling any issues on resignation or dismissal of the external auditor; reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the Audit Committee shall discuss the nature and scope of the audit and related reporting responsibilities with the auditor before the audit commences; formulating and implementing policies on the provision of non-audit services by the external auditor (see the Hong Kong Listing Rules for the definition of the "external auditor"); the Audit Committee shall report to the Board and make recommendations on any matters requiring action or improvement; where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Bank shall include in the Corporate Governance Report of the annual report a statement from the Audit Committee explaining its recommendation and the reasons why the Board has taken a different view;
- (X) acting as the key representative body for overseeing the Bank's relations with the external auditor, and coordinating the communication and work between the two; ensuring that the internal audit department is adequately resourced and has appropriate standing within the Bank; and reviewing and monitoring the effectiveness of works by the internal audit department;
- (XI) examining the management opinions given by the external auditor to the management, any major concerns raised by the auditor on the accounting records, financial accounts or the monitoring system to the management and the management's response; ensuring that the Board responds promptly to matters raised in the management letter given to the management by the external auditor;
- (XII) employees of the Bank may raise concerns on financial reporting, internal controls or other possible misconduct. The Audit Committee shall ensure that there are appropriate arrangements for the Bank to conduct a fair and independent investigation and take appropriate actions on these matters;
- (XIII) reporting to the Board on matters set out in the Code Provision of the Appendix 14 (Corporate Governance Code and Corporate Governance Report) to the Hong Kong Listing Rules;
- (XIV) other matters stipulated by laws, administrative regulations, departmental rules, regulatory documents, regulatory rules of the place where the Bank's securities are listed and Articles of the Bank, and those authorized or designated by the Board.

## **Chapter IV Working Relationship**

**Article 12** The Audit Committee shall be responsible to the Board, and report to the Board; the head of the audit department shall be accountable to and report to the Audit Committee; the internal audit work shall be independent of operation and management; the Bank provides necessary work conditions for the Audit Committee to perform its duties. The Audit Committee may, when necessary, engage external experts or intermediary institutions to provide professional opinions on decision-making upon approval by the Board, and the reasonable expenses incurred shall be borne by the Bank.

**Article 13** The Audit Committee shall forward its review opinions or determination on related issues, which need to be informed to other special committees, to relevant special committees of the Board through secretarial body.

**Article 14** The Audit Committee shall have the rights to request the senior management members of the Bank to provide adequate support to its work and give complete answers to the questions raised by it as soon as possible.

The senior management members and relevant departments shall support and assist the work of the Audit Committee, provide the Audit Committee with the information necessary for performing its duties in a timely manner, and the information provided to the Audit Committee shall be accurate and complete.

## **Chapter V Rules of Procedure**

**Article 15** The Audit Committee shall hold regular meetings and extraordinary meetings. The convening procedure and voting method of the meeting of the Audit Committee and the resolutions passed at such meetings shall comply with the relevant laws, administrative regulations, the Hong Kong Listing Rules, Articles of the Bank and these Terms of Reference.

**Article 16** Regular meetings shall be held at least twice a year to coincide with the year-end and mid-year financial reports. Regular meetings shall be convened and presided over by the chairman. The Board Office shall give written notice to all members five business days before such meeting.

**Article 17** The chairman shall convene an extraordinary meeting within five business days after the receipt of the proposal when:

- (I) the chairman considers it necessary;
- (II) the Chairman of the Board or the President proposes;
- (III) two or more members propose.

Members may make proposals on the subject matters of the meetings jointly or severally in writing, and the chairman shall arrange to include relevant matters in the agenda of relevant meetings. The Board Office shall give written notice to all members three business days before such meeting.

**Article 18** The Board Office shall provide all members with information relating to the meeting when giving the meeting notice, including relevant background materials for the meeting agenda and information and data assisting the members in making judgments. The audit department shall ensure that the above information provided is timely, accurate and complete.

**Article 19** A formal written notice shall be given to all members after the date and time of the meeting of the Audit Committee is determined.

**Article 20** Members of the Committee shall attend the Committee meetings in person. If he/she cannot attend the meeting for any reason, he/she shall authorize another member as proxy with written proxy to attend on his/her behalf. Members who do not attend such meeting and do not authorize other members to attend such meeting as his or her proxy, shall be deemed to abstain from voting on such meeting.

**Article 21** The quorum of a meeting of the Audit Committee shall be more than half of members. Each member shall have one vote. A resolution shall be passed if approved by more than half of all members. Any member who has material interest in the matters deliberated in the meeting shall abstain from deliberating and voting, and the matters shall be approved by more than half of members with no material interest. If the members who participate in the voting are less than half of the members, the Audit Committee shall submit the relevant matters to the Board for consideration.

**Article 22** The Audit Committee shall vote by a show of hands or by a poll. Meetings may be convened by way of voting by telecommunications.

**Article 23** When deliberating and voting on relevant matters or proposals, members present at the meeting shall take a serious and responsible attitude towards the Bank by expressing their opinions and suggestions independently and fully on matters discussed and shall be responsible for their voting.

**Article 24** Members of the Audit Committee shall continuously trace the change and its impact relating to the matters of the Bank within its duties, and bring to the attention of the special committees in a timely manner.

**Article 25** The Audit Committee may, if it deems it necessary, invite the Chairman of the Board of Directors, other directors, the Chairman of the Board of Supervisors, other supervisors, the Secretary of the Board of Directors and other senior management personnel, the external auditor and other relevant personnel or professionals to attend its meeting.

**Article 26** The Audit Committee may, if it deems it necessary, request the head of relevant departments of the Bank or their designated persons to attend its meeting and make statements on matters under consideration and respond to inquiries.

**Article 27** The relevant staff of the Board Office shall attend the meeting of the Audit Committee and be responsible for the production of the meeting minutes. All members present at the meeting and record keeping personnel shall sign the meeting minutes.

**Article 28** After the meeting, the chairman or the person presiding over the meeting shall inform the Chairman of the Board and the members who do not attend the meeting of the convening and holding of the meeting as soon as possible.

**Article 29** The minutes of the Audit Committee meeting shall be submitted to the Board in writing and shall be deposited with the Board Office and the officially appointed meeting secretary (which may be the company secretary) as the Bank's archive. The minutes of the Audit Committee meeting shall include (but are not limited to) the following:

- (I) date and place of the meeting and name of the chairperson;
- (II) names of the attending members;
- (III) agenda of the meeting;
- (IV) summary of statements of the members (which shall include any concerns or objections raised by the directors);
- (V) result of voting on each resolution;
- (VI) other major events.

**Article 30** The persons present and attending the meeting shall be obliged to keep confidential the matters discussed at the meeting, and shall not disclose the relevant information without authorization.

**Article 31** For resolutions of the Audit Committee that violate laws, administrative regulations, regulatory rules of the place where the Bank's securities are listed, Articles of the Bank and these Terms of Reference and cause the Bank to suffer serious losses, the members participating in the voting shall make compensation to the Bank; however, members of the Audit Committee who are proved to have expressed different views and have a written record for such views may be exempted from relevant liabilities.

## **Chapter VI Supplementary Provisions**

**Article 32** Unless otherwise stated, the definitions and terms used herein shall have the same meanings as those definitions or terms in Articles of the Bank.

**Article 33** These Terms of Reference shall become effective on the date of the listing of H Shares issued by the Bank on the Stock Exchange of Hong Kong Limited upon approval by more than half of all the directors of the Board. The former Terms of Reference of the Audit Committee under the Board of Directors of Jinshang Bank Co., Ltd. shall automatically lapse from the effective date of these Terms of Reference.

**Article 34** If these Terms of Reference are in conflict with any laws, administrative regulations, departmental rules, regulatory documents promulgated in the future, regulatory rules of the place where the Bank's securities are listed or Articles of the Bank as amended under legal procedures, the relevant laws, administrative regulations, departmental rules, regulatory documents, regulatory rules of the place where the Bank's securities are listed and Articles of the Bank shall prevail, and these Terms of Reference shall be amended promptly and be submitted to the Board for review.

**Article 35** The Board of the Bank shall have the right to interpret these Terms of Reference.