

**Bank of Jinzhou Co., Ltd.\***  
**錦州銀行股份有限公司**

**Terms of Reference of the Audit Committee\*\***

**Chapter 1 General Provisions**

**Article 1** To improve the performance and efficiency of the audit supervision of the Bank of Jinzhou Co., Ltd. (the “Bank”) and to improve the corporate governance of the Bank, the Audit Committee of the Bank (the “Audit Committee” or the “Committee”) is hereby established and these Terms of Reference are formulated in accordance with relevant provisions of laws and regulations such as Company Law of the People’s Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the articles of association of the Bank (the “Articles of Association”) and the Rules of Procedures of the board of directors of the Bank (the “Board”).

**Article 2** The Committee is a special working agency under the Board, which is accountable to the Board.

The Committee, in accordance with the law, has the right to learn about the operational and financial conditions of each businesses of the Bank, and the audit and inspection results of functional departments and branches by the Internal Audit Department of the Bank shall be submitted to the Committee in a timely and comprehensive manner.

**Chapter 2 Composition of the Committee**

**Article 3** The Committee comprises a minimum of three (3) members, and all of them shall be non-executive directors. The majority of the Committee shall be independent nonexecutive directors and at least one (1) of them shall have appropriate professional qualifications or accounting or related financial management expertise.

**Article 4** The Committee members shall be nominated by the chairman of the Board, half of the independent directors or one third of all the directors and shall be elected by the Board.

**Article 5** The term of office of Committee member is consistent with that of the Board. After expiration of such term, a Committee member may serve for another term if re-elected. During the term of office, the qualification of a Committee member shall be terminated if such member no longer acts as a director of the Bank or loses the independence as stipulated in the Articles of Association which he/she should have possessed, and the Board shall fill the vacancy according to Articles of Association and other relevant provisions.

**Article 6** The Committee shall maintain one (1) chairman, and such chairman must be an independent non-executive director. The chairman shall preside the work of the Committee. The chairman shall be elected by the entire Committee members from the independent non-executive directors.

Former partners of external audit agency responsible for account auditing of the Bank shall not, (i) within two (2) years after termination of such partnership, or (ii) within two (2) years after termination of his/her entitlement to financial benefits of such external audit agency (whichever comes later), act as the member of the Committee.

**Article 7** The duties of the chairman of the Committee shall include:

- (1) taking lead on the Committee and ensure the Committee to work efficiently and discharge its duty;
- (2) convening and presiding the meeting of the Committee and determining the meeting agenda for each meeting of the Committee in accordance with this Terms of Reference;
- (3) to ensure all the Committee members of relevant meetings understand the subject matters of the meetings and ensure each members can obtain complete and reliable information;
- (4) to ensure the Committee member can discuss all key and appropriate matters and make clear conclusion for each subject matter.

**Article 8** When the chairman is not able to or does not perform his/her duties, half of the Committee members shall nominate one Committee member to perform such duties.

**Article 9** The Committee shall establish agencies and such agencies shall consist of the working agency and the secretary agency.

**Article 10** The internal audit department of the Bank is the working agency of the Committee and shall be responsible for the preparation of the meeting agenda and draft resolutions and the implementation of the resolutions; the secretary office of the Board is the secretary agency of the Committee and shall be responsible for the organization of the meetings, arrangement of the meetings, notice of the meetings, filing of the resolutions and minutes of the meetings, the record and report of the meeting materials and the improvement of meeting documents, etc.

### **Chapter 3 Principal Duties**

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

- (a) to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Bank and its subsidiaries (the “Group”), and as to the adequacy of the external and internal audits;
- (b) to assure that appropriate accounting principles and reporting practices are followed;
- (c) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the authorized independent auditors (the “External Auditors”), and to approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal;
- (d) to serve as a focal point for communication between other directors, the External Auditors and the internal auditors or any person responsible for internal audit function (the “IA People”) as regards their duties relating to financial and other reporting, internal controls, external and the IA People and such other matters as the Board determines from time to time;

- (e) to review and monitor the External Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the External Auditors the nature and scope of the audit and reporting obligations before the audit commences, and ensure coordination where more than one audit firm is involved. Procedures to review and monitor the independence of the External Auditors may include:
- (i) consider all relationships between the Group and the External Auditors (including non-audit services);
  - (ii) obtain from the External Auditors annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - (iii) meet with the External Auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the External Auditors may wish to raise.
- (f) to develop and implement policy on engaging the External Auditors to supply non-audit services. For the purpose of this clause, "External Auditors" include 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. The Committee should ensure that the External Auditors' provision of non-audit services does not impair its independence or objectivity. When assessing the External Auditors' independence or objectivity in relation to the provision of non-audit services, the Committee may wish to consider:
- (i) whether the skills and experience of the External Auditors make it a suitable supplier of non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the External Auditors provide nonaudit services;

- (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the External Auditors; and
- (iv) criteria for compensation of the individuals performing the audit;
- (g) to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports (including Directors' Report, Chairman's Statement and management discussion and analysis), and to 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 the audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting and auditing standards;
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and
  - (vii) reviewing the fairness of connected transactions and making disclosures in accordance with the Listing Rules and accounting standards;
- (h) regarding (g) above:
  - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the External Auditors; and

- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, the compliance officer of the Bank or External Auditors;
- (i) to review audit and control related corporate representations made to External Auditors, IA People and to the shareholders of the Company;
- (j) to review with External Auditors and IA People, the Group's management, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;
- (k) to review and monitor the effectiveness of the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (l) 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 Group's accounting and financing reporting function;
- (m) to 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;
- (n) where an internal audit functions exists, to ensure co-ordination between the IA People and External Auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (o) to review the Group's financial and accounting policies and practices;

- (p) to review the External Auditor's management letter, any material queries raised by the External Auditor to management about accounting records, financial accounts or system of control and management's response;
- (q) to ensure that the Board will provide a timely response to the issues raised in the External Auditor's management letter;
- (r) to report to the Board on the matters set out in Code Provision C.3 of Appendix 14 (Corporate Governance Code and Corporate Governance Report) to the Listing Rules;
- (s) to consider other topics as defined by the Board;
- (t) to consider agreeing with the Board the Company's policies on hiring employees or former employees of the External Auditors and monitoring the application of these policies. The Committee should then be in a position to consider whether there has been or appears to be any impairment of the External Auditor's judgment or independence for the audit;
- (u) where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the External Auditors, the Committee should include in the Corporate Governance Report a statement explaining Committee's recommendation and the reasons why the Board has taken a different view;
- (v) to review arrangements employees of the Bank 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; and
- (w) to act as the key representative body for overseeing the Company's relations with the External Auditor.
- (x) other duties authorized by the Board.

**Article 12** The Audit Committee should be responsible for the Board and shall report to the Board on its work. It shall report to the chairman of the Board in the closing period of the Board meeting. The principal of the audit department shall be responsible for the Audit Committee and report its work to the Audit Committee. The internal audit work shall be independent of the operation and management of the Bank. The Bank shall provide the necessary conditions for the Audit Committee and if needed, the Audit Committee can engage external experts or agencies to offer professional opinions for its decision-making, and related reasonable fees shall be borne by the Bank. The Audit Committee shall provide coordination to the board of supervisors to discharge its supervision functions.

**Article 13** The Audit Committee shall provide opinions and suggestions based on its investigation and study for the Board's reference only when the Board reviews relevant resolutions. Such opinions and suggestions shall not constitute proposal of resolution and the Board shall not make resolutions on these opinions and suggestions. If the Audit Committee provides opinions and suggestions to the Board in the form of resolutions, then the Board shall review and make resolutions accordingly.

The Audit Committee shall provide opinions and suggestions to the Board in written form and shall provide interpretation and explanation on the meeting of the Board based on its meeting agenda.

**Article 14** The Audit Committee shall be entitled to request the senior management of the Bank to provide sufficient support for its work and provide full answers timely to the inquiries made by the Audit Committee.

The senior management and relevant departments shall provide support and coordination to the Audit Committee for its work and on a timely basis, provide information necessary for the Audit Committee to discharge its duties. The information provided to the Audit Committee shall be complete and the form and substance of such information shall enable the Audit Committee to make a decision based on such materials.

## **Chapter 4 Rules of Procedures**

**Article 15** The meetings of the Audit Committee included fixed meetings and extraordinary meetings. The Audit Committee shall, on a quarterly basis, report to the Board on the progress of the audit work, and issue notices to the senior management as well as to the board of supervisors.

**Article 16** The fixed meeting of the Audit Committee shall be convened at least twice a year, which will be held according to the dates of the annual and interim financial reports. The fixed meetings shall be convened and preside by the chairman of the Audit Committee. The office of the Board shall give written notice to all the members of the Audit Committee five (5) days prior to such meeting and such notice period can be waived with the consent of all the members of the Audit Committee.

**Article 17** The extraordinary meeting shall be convened and presided by the chairman of the Audit Committee based on the proposal from the chairman of the Board, the chief executive officer of the Bank or the head of the internal audit department. Members of the Auditor Committee can make proposal on the subject matters of the meetings jointly or severally and the chairman shall put these matters into the meeting agenda. Two or more members can propose to the chairman to hold an extraordinary meeting and shall put up with the meeting subject matters. The chairman shall arrange to convene relevant meetings after receiving such proposals. The office of the Board shall give written notice to the members prior three (3) days before such meeting.

**Article 18** The office of the Board shall provide relevant materials to the members when giving the meeting notice, including the background material, information and data which will help the members to make a judgment. The internal audit department shall ensure the above mentioned material be timely, accurate, complete and formal.

**Article 19** Members of the Audit Committee shall attend the Committee meetings in person. If he/she cannot attend the meeting, he/she shall authorize other Committee member as proxy with written proxy. Members who do not attend such meeting and do not authorize other members to attend such meeting as his or her proxy, will be deemed to abstain from voting on such meeting.

**Article 20** The quorum of a meeting of Audit Committee is two third of members of the Committee. Each member shall have one vote. A resolution shall be passed if approved by more than half of the total number of the Committee members. Any member who has interests in the matters deliberated in the meeting shall abstain from voting.

**Article 21** Voting at meetings of the Audit Committee shall be by hand or by poll. Meetings may be voted by way of correspondence.

**Article 22** When reviewing relevant matter or proposals, members who attended such meeting shall take a serious attitude to express advice and suggestions on an independent and sufficient basis and shall be responsible for his or her voting.

**Article 23** The Audit Committee shall continually follow the changes of and effect arising from the relevant matters of the Bank which fall into its duty and request the Committee to pay particular attention.

**Article 24** If members of the Audit Committee deem necessary, the Audit Committee can invite the chairman of the Board, other directors, supervisors, secretary to the Board and other senior management, external auditor, other relevant personnel or professional parties to attend its meeting as nonvoting delegates.

**Article 25** If members of the Audit Committee deem necessary, the Audit Committee may request the head of relevant departments of the Bank or their designated person to attend its meeting as nonvoting delegates and make presentation on the subject matters of the meeting and respond to inquiries.

**Article 26** Relevant staff from the office of the Board shall attend the meeting of the Audit Committee as nonvoting delegates and shall be responsible for meeting minutes and resolutions (if any). The Audit Committee shall keep complete written meeting minutes. The drafts and final versions of the meeting minutes shall be delivered to all members of the Audit Committee within a period of time after the meeting. The drafts of meeting minutes are for all members' comments and the final minutes are for record. The Auditor Committee members present at the meeting shall sign the minutes, and for the meeting convened by way of correspondence, the opinions of members of the Audit Committee shall be recorded or the members of the Audit Committee shall send emails to the person who prepares the meeting minutes. The meeting minutes shall be kept by the office of the Board.

**Article 27** After the meeting is finished, the chairman or the person who presides such meeting shall report the status of the meeting to the chairman of the Board and the members who do not attend such meeting.

**Article 28** Meeting minutes and resolutions of the Audit Committee shall be submitted to the Board in written form.

**Article 29** Any person who presents at meetings of Audit Committee shall keep the subject matters of such meeting in confidentiality, and shall not disclose the information without authorization.

**Article 30** For the resolutions of the Audit Committee that violates laws, administrative regulations, rules, the Articles of Association and this terms of reference and causes severe losses to the Bank, the members of the Audit Committee who voted on such meeting shall make compensation to the Bank. The members of the Audit Committee who express different views and have a written record for such views, he or she can be exempted from relevant liabilities.

## **Chapter 5 Supplementary Provisions**

**Article 31** Unless otherwise specified, the terms used herein shall have the same meanings as those in the Articles of Association.

**Article 32** These Terms of Reference shall become effective upon approval by half of the Board and the amendments shall be the same.

**Article 33** Any matters that are not covered herein or if any of these Terms of Reference conflicts with any laws or regulations or normative documents promulgated subsequently, or the listing rules of the place where the shares of the Bank are listed, or the Articles of Association duly amended thereafter, it shall be handled in accordance with related PRC laws and regulations, normative documents, the listing rules of the place where the shares of the Bank are listed and the provisions of the Articles of Association.

**Article 34** The Board shall have the right to interpret and revise these Terms of Reference.

\* *Bank of Jinzhou Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*

\*\* *Should there be any discrepancy between the Chinese and English versions of the Terms of Reference of the Audit Committee, the Chinese version shall prevail.*