

Terms of Reference of the Audit Committee under the Board of Directors of China Everbright Bank Company Limited (2020 Revised Draft)

Chapter 1 General Provisions

- Rule 1** In order to improve the internal control and auditing system of China Everbright Bank Company Limited (hereinafter referred to as the “Bank”), to strengthen the audit and supervision functions of the Board on internal control and financial information and to safeguard the interest of all shareholders, and pursuant to the “Company Law of the People’s Republic of China”, “Guidelines on Corporate Governance of Commercial Banks”, “Code of Corporate Governance for Listed Companies”, “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules”),” and the “Articles of Association of China Everbright Bank Company Limited (hereinafter referred to as the “Articles of Association of the Bank”) and other relevant regulations, the Bank has set up the Audit Committee of the Board and formulated these Terms.
- Rule 2** The Audit Committee is a specific working body set up by the Board in accordance with the Articles of Association of the Bank. Its main responsibilities are to review the Bank’s risk and compliance, accounting policy, financial position and financial reporting procedures; to inspect the internal control system of the Bank and supervise its implementation; to carry out inspection and supervision on the Bank’s internal audit function, internal audit system and its implementation; to guide the work of internal audit department; to give its recommendations on the appointment and replacement of external auditors, and to guide and oversee the work of external auditors; to carry out annual audit for the Bank and prepare judgmental reports on the truthfulness, accuracy, completeness and timeliness of the audited financial reports information to the Board of Directors for review.
- Rule 3** The Audit Committee shall be responsible to the Board of Directors and provide professional opinions to the Board of Directors or make decisions in respect of professional issues in accordance with the authorization of the Board of Directors.

Chapter 2 Composition

- Rule 4** The Audit Committee shall comprise no less than three non-executive directors, the majority of whom shall be independent directors. Members of the Audit Committee shall have professional knowledge and work experience in certain aspects in finance, audit and accounting, etc.. At least one of the independent directors in the Committee must have appropriate professional qualifications or, accounting or related financial management expertise.

Rule 5

The chairman and members of the Audit Committee shall be nominated by the Chairman of the Board or by more than half of independent directors or more than one third of directors and shall be reported to the Board of Directors for approval. No former partner of the Bank's existing accounting firm shall be allowed to serve as a member of the Committee within one year from the date (whichever is later):

- (1) when such former partner ceases to be a partner of the said accounting firm;
- (2) when such former partner ceases holding any financial interest of the said accounting firm.

Rule 6

The Audit Committee shall have a chairman who shall be an independent director and an accounting professional. The chairman of the Committee shall be responsible for leading the work of the Committee. Where the chairman cannot perform his/her duties, an independent director shall be appointed to perform duties on his/her behalf. If no chairman is appointed, an independent director shall be elected by more than half of the members of the Committee to act as a chairman.

Major duties and responsibilities of the chairman are:

- (1) To preside over the Committee meetings and ensure effective operation and performance of duties and responsibilities of the Committee;
- (2) To determine the agenda of the Committee meetings;
- (3) To ensure that proposals considered by the Committee reach a clear and definitive conclusion, including whether the proposal is passed, vetoed or to be further discussed after supplemental materials are provided;
- (4) To report its work to the Board of Directors on behalf of the Committee;
- (5) Other duties and responsibilities as specified by the laws, regulations, rules, regulatory documents, rules governing the listing of securities on the listing place of the shares of the Bank, the Articles of Association of the Bank and these Terms.

Rule 7 The term of office of the Audit Committee shall be the same as that of the Board. A member may serve consecutive terms if re-elected upon expiry of his/her term. If any member ceases to be a director of the Bank, he/she shall automatically lose his/her position as a committee member, and the vacancy shall be filled by a member elected by the Board in accordance with provisions set forth above in Rules 4 to 6.

Rule 8 Major duties and responsibilities of the members are:

- (1) To attend the Committee meetings, express their opinions on matters deliberated at the meetings, and exercise their voting rights;
- (2) To propose topics for discussion at the Committee meetings;
- (3) To attend relevant meetings of the Bank as observers, to conduct surveys and researches and to collect relevant information such as reports, documents and materials for the purpose of discharging their duties and responsibilities;
- (4) To fully understand the duties and responsibilities of the Committee and of himself/herself as a member of the Committee, to familiarize themselves with information relevant to their duties and responsibilities on the operation and management, business activities and development of the Bank to ensure their capacity for discharging duties and responsibilities;
- (5) To fully ensure that they have sufficient working hours and energy to fulfil their duties and responsibilities;
- (6) Other duties and responsibilities as specified by the laws, regulations, rules, regulatory documents, rules governing the listing of securities on the listing place of the shares of the Bank, the Articles of Association of the Bank and these Terms.

Rule 9 The Audit Committee shall have a secretary to assist with the work of the Committee. The audit department of the Bank and its department head shall undertake the relevant work of the secretary of the Committee.

The secretary of the Audit Committee shall be mainly responsible for collecting and providing information in relation to matters within the terms of reference of the Audit Committee, assisting the office of the Board of Directors to prepare for the meetings of the Audit Committee, and shall also be responsible for the preparation of relevant meeting documents, to ensure that all members present at the Committee meetings are fully informed of the matters to be discussed by the Committee and have access to complete and reliable information.

Chapter 3 Duties and Authorities

Rule 10

The main duties and authorities of the Audit Committee include:

- (1) To supervise and assess the internal control of the Bank;
- (2) To review risks, compliance, accounting policies, financial reporting procedures and financial position of the Bank;
- (3) To review the financial information and its disclosure of the Bank, be responsible for the annual audit of the Bank and make judgments in respect of the truthfulness, accuracy, completeness and timeliness of the audited financial reports, and submit the same to the Board for consideration and approval;
- (4) To supervise and direct the internal audit work of the Bank, review important regulations and reports such as the internal audit charter, review medium and long-term audit plans and annual audit plans, review the work reports of the internal audit department of the Bank, direct the work of the internal audit department of the Bank, and appraise and assess the work performance of the internal audit department of the Bank;
- (5) To supervise and assess external auditors and make recommendations in respect of the engagement and replacement of external auditors;
- (6) To coordinate the communications between internal audit department and external auditors;
- (7) To review and supervise the mechanism for the Bank's employees to whistleblow any misconducts in respect of financial reports, internal control or other aspects, so as to ensure that the Bank always handles the whistleblowing issues in a fair and independent manner and takes appropriate actions;
- (8) All other matters required by laws, rules, regulations, regulatory documents, the governing rules of the jurisdiction where the shares of the Bank are listed and other issues stipulated in the Articles of Association of the Bank or otherwise authorized by the Board.

Rule 11

The Committee may submit proposals to the Board of Directors for review and approval. The Committee shall provide information concerning its discussion on relevant proposals in the form of reports or recommendations to the Board of Directors for study and decision-making.

Chapter 4 Rules of Procedures for Meetings

- Rule 12** Regular meetings of the Audit Committee shall be held at least two times a year and in principle be held concurrently with the regular meetings convened by the Board. A notice of meeting shall be given to all members at least seven days prior to the meeting, but such notice period can be waived by unanimous consent of all members.
- Rule 13** Members of the Audit Committee shall liaise with the Board and senior management. The Committee shall meet with the external auditors of the Bank at least twice a year.
- Rule 14** The chairman of the Committee or more than half of the members of the Committee may propose to convene an extraordinary meeting. A notice of extraordinary meeting shall be given to all members at least five days prior to the meeting, but such notice period can be waived by unanimous consent of all members.
- Rule 15** The meeting notice shall include:
- (1) Venue and time of the meeting;
 - (2) Manner of convening the meeting;
 - (3) Agenda, discussion items and relevant detailed materials of the meeting;
 - (4) The requirements that the members shall personally attend the meeting or appoint other members to attend the meeting on their behalf;
 - (5) The contact person and the contact information;
 - (6) Date of notice.

Rule 16 The meeting notice may be served by hand or sent through fax, registered mails or electronic mails, etc..

Rule 17 The members shall attend the meeting in a serious and responsible manner and clearly express their views on the business considered. In case a member is unable to attend the meeting of the Committee in person, he/she shall appoint another member in writing as a proxy to vote on his/her behalf, and the member giving the proxy shall bear legal responsibility independently.

The power of attorney shall state the name of such proxy, the relevant matters, scope of authorization and validity period, and shall be signed by the appointer or a chop shall be affixed. The member attending a meeting on behalf of other member shall produce such power of attorney and exercise the rights within the scope of authorization.

Rule 18 If a member of the Audit Committee fails to attend meetings in person consecutively for two times where such member also fails to appoint other members to attend on his/her behalf, such member shall be deemed as failure to perform his/her duties. The Committee shall propose to the Board to remove such member. The chairman of the Audit Committee must work for at least 25 working days every year in the Bank.

Rule 19 The regular meetings of the Audit Committee shall be held by way of physical meetings and can only be held when at least half of its members with voting rights are present. The extraordinary meetings may be held by way of telecommunication or by way of written resolution provided that the members with voting rights are able to freely express their views.

By way of telecommunication means more than half of the members with voting rights attend the meeting via telephone, video or other means of communications; by way of written resolution means the members with voting rights decide on resolutions with separately served considerations or circulated served considerations.

Rule 20 All meetings shall be convened and chaired by the chairman of the Committee. The chairman of the Committee may appoint another member who is an independent director to chair the meeting if he is not able attend this meeting. If the chairman does not entrust any other member, an independent director shall be elected by a majority of the members to chair such meeting.

Rule 21 The Audit Committee shall vote by a show of hands or by a poll, and each member is entitled to one vote. Where a member is interested in the matter being decided at the meeting, he/she shall abstain from voting on such matter.

Approval of any resolution at a Committee meeting shall require one-half or more of the votes by members with voting rights.

- Rule 22** Directors, supervisors and other senior management of the Bank who are not members of the Audit Committee may be invited to attend such meetings if necessary.
- Rule 23** Minutes of Committee meetings shall be kept by the office of the Board to record in detail the matters considered and decisions made by the Committee over the meeting. Attending members shall have rights to request the minutes to add explanatory notes to their speeches, including any concerns raised or dissenting views expressed by members. Draft version of minutes of Committee meetings shall be sent by the office of the Board to all members of the Committee for their comment within a reasonable time after the meeting. Draft versions of minutes are for members to review and final versions of minutes will be sent to all directors. Minutes shall be signed by members of the Committee attending the meeting. Minutes of the meeting shall be kept in the office of the Board as an archive of the Bank. Such minutes shall be available for inspection at any reasonable time upon reasonable notice by any director.
- Rule 24** Resolution and voting result passed at the meeting of the Audit Committee shall be reported in writing to the Board.
- Rule 25** Members of the Audit Committee and other persons present at a meeting shall be obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.
- Rule 26** The Audit Committee shall establish a compliant and whistleblower mechanism to gather inside and outside complaints regarding internal control and financial matters, and procure the Bank to carry out fair and independent investigation into alleged misconducts and take appropriate actions.
- Rule 27** The office of the Board shall be responsible for submitting proposals, organizing meetings, overseeing the implementation and feedback of the resolutions, liaising and coordinating with the Committee and the secretary, and the relevant departments of the Bank shall cooperate accordingly.

Chapter 5 Coordination and Communication

- Rule 28** The written reports presented by the Committee to the Board of Directors shall be signed by the chairman or a member authorized by the chairman.
- Rule 29** If any senior management member of the Bank has significant or special issues regarding duties and responsibilities of the Committee, he/she shall submit written reports to the Committee, and may suggest chairman of the Committee to convene a meeting for discussion.
- Rule 30** The written reports presented by the senior management members of the Bank to the Committee shall be signed by the President or senior management members responsible for the relevant issues.

Chapter 6 Supplementary Provisions

- Rule 31** In these Terms, the scope “above” a number shall include the number itself while the scope “more than” a number shall exclude the number itself.
- Rule 32** These Terms shall be effective and put in use from the date on which they are passed by the Board of Directors of the Bank.
- Rule 33** Any matters not covered by these Terms or in any event that these Terms contravene any laws, regulations, rules, regulatory documents, rules governing the listing of securities on the listing place of the shares of the Bank and the Articles of Association of the Bank, the laws, regulations, rules, regulatory documents, rules governing the listing of securities on the listing place of the shares of the Bank and the Articles of Association of the Bank shall prevail.
- Rule 34** The power of interpretation of these Terms shall be vested in the Board of the Bank.

These Terms of Reference are written in Chinese. If there is any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.