

Jilin Jiutai Rural Commercial Bank Corporation Limited

Terms of Reference of the Audit Committee of the Board of Directors

CHAPTER 1 GENERAL PROVISIONS

Clause 1 In order to further improve the corporate governance structure of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”), strengthen the scientific decision-making of the board of directors, and ensure the effective supervision of the board of directors over the management and the sustainable, stable and regulated development of the Bank, these terms are hereby formulated in accordance with the Company Law of the People’s Republic of China, the Commercial Banking Law of the People’s Republic of China, the Corporate Governance Guidelines for Banking and Insurance Institutions, the Guidelines on Internal Audit of Commercial Banks, the Articles of Association of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Articles”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and other relevant regulations.

Clause 2 The audit committee is a specialized organization for discussion of issues as established by the board of directors of the Bank pursuant to the Articles and is mainly responsible for supervising the internal control of the Bank, reviewing the compilation and disclosure of financial information of the Bank, inspecting, supervising and evaluating the internal audit of the Bank, and making recommendations to the board of directors, or deciding on the above matters as authorized by the board of directors.

CHAPTER 2 COMPOSITION

Clause 3 The members of the audit committee shall have professional knowledge and work experience in the areas of finance, auditing, accounting or law. All members of the audit committee shall be non-executive directors and the majority of the committee members shall be independent non-executive directors. There shall be at least one (1) independent non-executive director with relevant professional qualification or accounting or related financial management expertise required by the Listing Rules.

Clause 4 A former partner of the Bank’s current external auditing firm shall not act as a member of the audit committee for a period of two (2) years from the later of the following dates on which:

- (1) the former partner ceased to be a partner of the accounting firm;
- (2) the former partner ceased to have financial interest in the firm.

Members of the audit committee shall be nominated by the chairman of the board of directors and then appointed by the board of directors. The change and replacement of members of the audit committee shall be decided by the board of directors.

Clause 5 The audit committee shall have one (1) chairman who shall be an independent non-executive director to organize the work of the audit committee. The chairman shall be elected by a majority of the members of the audit committee and subject to the approval by the board of directors. The chairman of the audit committee shall work for the Bank for no less than twenty (20) working days each year.

Clause 6 The duties of the chairman of the audit committee include:

- (1) To supervise the committee for its proper operation and performance of its duties;
- (2) To convene and preside over committee meetings and to determine the agenda thereof;
- (3) To ensure that all members attending the committee meetings understand the matters discussed and have sufficient opportunities to express their truthful opinions;
- (4) To ensure that there is a clear and definite conclusion of every proposal discussed at the committee meetings. The conclusions shall include “approval”, “veto” or “pending discussion upon receiving further information”;
- (5) To propose and convene extraordinary committee meetings;
- (6) To perform other duties required by these terms.

Clause 7 The main duties of members of the audit committee include:

- (1) To attend committee meetings on time to express opinions on matters discussed thereat and to exercise their voting rights;
- (2) To observe or sit in relevant meetings of the Bank, to conduct investigation and research, and to solicit reports, documents, data files and other relevant information for the performance of their duties;
- (3) To fully understand the responsibilities of the committee and his/her responsibilities as a member, to be familiar with the business management, operation and development of the Bank relevant to his/her duties so as to ensure that they are capable to perform duties;
- (4) To devote sufficient time and attention to perform their duties; and
- (5) To perform other duties required by these terms.

Clause 8 The term of office of the audit committee shall be identical with that of the board of directors, and members of the committee may serve consecutive terms if re-elected upon the expiration of their terms of office. If any member ceases to be a director of the Bank during his/her term of office or any member who shall have been qualified as an independent non-executive director

but no longer possesses the independence as required by the Articles, he/she shall be disqualified as a member automatically and the board of directors shall fill the vacancy in accordance with the Articles and these terms.

Clause 9 A member of the audit committee shall be removed and replaced in any of the following circumstances subject to consideration and approval by the board of directors:

- (1) his/her term of office expires;
- (2) he/she tenders resignation in writing;
- (3) he/she is involved in material misconduct or in violation of laws, regulations, the Articles and these terms during his/her term of office;
- (4) other circumstances in which the member is considered by the board of directors not suitable to serve as a member.

Clause 10 The daily operation of the audit committee shall be organized and finalized by the office of the board of directors and other relevant departments. The audit committee is responsible for the supervision of internal audit.

CHAPTER 3 MAJOR DUTIES AND RESPONSIBILITIES

Clause 11 The major duties and responsibilities of the audit committee are:

- (1) The audit committee shall be responsible for reviewing the risks and compliance, internal control system, accounting policies, basic audit system, financial reporting procedures and financial positions of the Bank; examining the financial information of the Bank, including the completeness of financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports and reviewing important opinions on the financial reporting as contained in financial statements and reports as well as other information relating to the operation and management of the Bank; and auditing the operation efficiency, profit distribution and use of funds of the Bank. The committee shall pay special attention on the following matters before the financial statements and reports are submitted to the board of directors:
 1. any changes in accounting policies and practices;
 2. areas involving material judgments;
 3. material adjustments as a result of the audit;
 4. the going concern assumption and any qualified opinions;

5. compliance with accounting standards; and
 6. compliance with the Listing Rules in relation to financial reporting and other laws and regulations.
- (2) With regard to (1) above:
1. members of the committee shall liaise with the board of directors and senior management. The committee shall hold at least two (2) meetings with the external auditors of the Bank each year; and
 2. the committee shall consider any material or unusual matters that are disclosed, or required to be disclosed in such reports and accounts and shall give due consideration to any matters raised by the staff responsible for the accounting and financial reporting functions and compliance officer of the Bank.
- (3) the audit committee shall review and ensure the timely response of the board of directors to the management advice (or similar documents) issued from external auditors to the senior management, and also review any significant queries raised to the senior management by external auditors on accounting records, financial accounts or control system and the responses from the senior management;
- (4) the audit committee shall review the information disclosure made by the Bank to shareholders' meetings and the public, and verify the truthfulness, legality, completeness and accuracy of financial reports, fund utilization reports and major events;
- (5) the audit committee shall make recommendations to the board of directors on the appointment, reappointment or dismissal of external auditors, approve the compensation and terms of engagement of external auditors, and handle any matters regarding the resignation or dismissal of external auditors;
- (6) the audit committee shall examine the independence and objectivity of the external auditors and the effectiveness of audit procedures in accordance with applicable review standards, and discuss with the external auditors the nature and scope of audit and their reporting duties before commencement of the audit;
- (7) the audit committee shall formulate and implement policies on the engagement of external auditors for non-audit services. For this purpose, "external auditor" includes any entity (local or overseas) that is under common control, ownership or management with the audit firm or any entity (local or overseas) that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm. The audit committee shall report to the board of directors on actions and improvements required with recommendations. The audit committee shall ensure that the provision of non-audit services by external auditors do not impair their independence or objectivity;

- (8) the audit committee shall act as the key representative for overseeing the relationship between the Bank and external auditors;
- (9) the audit committee shall review the financial control, internal control and risk management systems of the Bank, review the relevant rules and regulations and their implementation, and examine and evaluate the compliance and effectiveness of major business activities of the Bank;
- (10) the audit committee shall oversee and review the development of the internal control system of the Bank, organize self-evaluations of internal control of the Bank and review the evaluation reports;
- (11) the audit committee shall review the arrangements of the Bank for employees to raise concerns on any possible irregularities in relation to financial reporting, internal control or other activities of the Bank and demand a fair and independent investigation and appropriate action on such matters by the Bank;
- (12) the audit committee shall discuss the internal control system with the management to ensure that the management has performed its duties by developing an effective internal control system. The discussion shall cover the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget for accounting and financial reporting of the Bank;
- (13) the audit committee shall study the material investigation of internal control and feedback of management on the investigation of its accord or under the instruction of the board of directors;
- (14) if the Bank has its internal audit function, the audit committee shall ensure the cooperation between the internal and external auditors, ensure the internal audit function is provided with adequate resources and has appropriate standing in the Bank, and review and monitor its effectiveness;
- (15) the audit committee shall review the fairness of connected transactions and make disclosure in accordance with the Listing Rules and accounting standards;
- (16) the audit committee shall review the financial and accounting policies and practices of the Bank;
- (17) the audit committee shall review the “Statement of Audit” from the external auditors, any material queries raised by the auditors to the management about accounting records, financial accounts or systems of control and response of the management;
- (18) the audit committee shall ensure the prompt response of the board of directors to the questions raised in the Statement of Audit by external auditors;

- (19) the audit committee shall report to the board of directors on the matters specified in Code Provision C3.3 of the Corporate Governance Code and the Corporate Governance Report in Appendix 14 to the Listing Rules;
- (20) the audit committee shall be responsible for the annual audit of the Bank, prepare reports confirming the truthfulness, accuracy, completeness and timeliness of information contained in the audited financial statements, and submit them to the board of directors for discussion and consideration;
- (21) the audit committee shall study other matters raised by the board of directors;
- (22) where the board of directors disagree with the view of the audit committee on the selection, appointment, removal or dismissal of the external auditors, the committee shall include in the Corporate Governance Report a statement explaining its recommendation and the reason(s) of disagreement of the board of directors;
- (23) the audit committee shall coordinate the communication and cooperation between the internal auditors and external auditors and shall ensure the internal auditors are provided with sufficient resources to carry out their duties and have appropriate standing in the Bank;
- (24) the audit committee shall review the whistle-blowing system for employees of the Bank to report irregularities in relation to financial statements, internal control or other matters of the Bank, conduct independent and fair investigation on the reports and take necessary action;
- (25) the audit committee shall perform such other duties as required by the laws, administrative regulations, departmental rules, normative documents, the Listing Rules, the Articles and as delegated by the board of directors.

Clause 12 The chairman of the audit committee or in his absence, another member of the audit committee or failing this, his duly appointed delegate, shall attend the annual general meeting and respond to inquiries raised at the meeting on the work and responsibilities of the audit committee.

Clause 13 Member of the audit committee shall, before taking office, undertake to the board of directors that he/she will devote sufficient time and attention to perform his/her duties with diligence.

Clause 14 The audit committee is authorized to demand full support from the senior management of the Bank for its work. The senior management shall promptly provide information that is necessary, accurate and complete to assist the audit committee to perform its duties properly.

Clause 15 Members of the audit committee shall adhere to principles in performing their work, act with integrity, discipline and dedication, and safeguard the interests of the Bank. They shall not abuse their position or powers for personal interest.

Clause 16 Unless otherwise required by laws or authorized by the board of directors, members of the audit committee shall not disclose any information of the Bank to external parties without authorization.

CHAPTER 4 RULES OF PROCEDURE

Clause 17 The audit committee shall report to the board of directors on the progress of the audit work every six months, with notification thereof to the senior management and the board of supervisors.

Clause 18 The audit committee shall consider the view of the senior management before discussing the audit report made by an intermediary on the performance of the Bank for the previous financial year. The audit committee shall consult the intermediary and the relevant parties if it has disagreement to or questions of the audit report. After reviewing and approving the audit report, the audit committee shall submit written comments to the board of directors for consideration. The fee for the engagement of the intermediary shall be borne by the Bank.

Clause 19 The audit committee shall prepare its annual work plans and hold at least two committee meetings annually to review and consider the interim and annual financial reports, and shall promptly convene an extraordinary meeting when necessary. A meeting shall be convened by the chairman of the audit committee. The board of directors or more than two members of the audit committee shall have the right to propose to the chairman of the audit committee to convene a committee meeting.

The chairman of the committee shall appoint another member to chair the meeting on his/her behalf if he/she is unable to perform his/her duties due to any special reasons.

Clause 20 Any voting at the meeting of the audit committee shall be by way of open ballot. Vote shall be taken by telecommunication or written resolutions and other methods, if necessary.

Clause 21 The audit committee shall give notice to the members at least three (3) days before the convening of the meeting (excluding the date of meeting). Relevant documents shall be sent to all members and other persons invited to attend the meeting at least three (3) days before the convening of the meeting (excluding the date of meeting) or within such other time as agreed by the committee members. A quorum of the audit committee meeting shall be more than half of the members who do not have related party relationship or any material interests. If a member is unable to attend the meeting for any reasons, he/she shall explain the reason in writing and appoint another member in writing to vote on his/her behalf. The instrument of proxy shall specify the scope of authorization.

If the number of members present at the meeting of the audit committee who do not have related party relationship or any material interests is less than the number as provided in the forgoing paragraph, the matters to be discussed shall be submitted to the board of directors for discussion.

The notice of the audit committee meeting shall at least include:

- (1) the form, date and venue of the meeting;

- (2) the duration of the meeting;
- (3) the cause for the meeting and the matters to be discussed thereat;
- (4) the date of the notice of the meeting; and
- (5) the contact person(s) of the meeting and his/her/their contact information.

The notice of the meeting shall be given by hand, fax, registered mail or e-mail.

Clause 22 The audit committee meetings shall, in principle, be in the form of physical meeting. The committee meeting may also be convened by other methods including, but not limited to telephone conference, video conference and written resolutions, so long as the committee members can fully express their views.

Each attending committee members must be able to hear the other members clearly and can communicate with each other where a meeting is convened by telephone conference or video conference. A meeting convened by such means shall be recorded or taped. Should any committee members be unable to sign the meeting minutes at such meeting, such member shall vote verbally and sign the written resolution as soon as possible. The committee member's verbal vote shall have the same effect as signing the written resolution, provided that the written resolution subsequently signed must conform with the verbal vote. Should the written resolution differ from the verbal vote, the verbal vote shall prevail.

Clause 23 If a committee meeting is convened by means of adopting written resolutions, i.e. by delivering the resolution for review in counterparts or by circulating it among the committee members in turn, the committee members or other committee members entrusted by them shall write "for", "against" or "abstain" on the vote clearly. Once the number of committee members who sign in favor of a resolution represents a quorum as required by these terms, the resolution shall be deemed adopted. If a member of the audit committee is unable to attend the meeting for any reasons, he/she shall appoint another member in writing to attend the meeting on his/her behalf and the instrument of proxy shall specify the scope of authorization. The proxy shall not have material interests in the resolutions to be considered at the meeting.

Clause 24 Each member of the audit committee shall have one (1) vote. Unless otherwise required by laws, administrative regulations, departmental rules, the Listing Rules or the Articles, a resolution of meeting shall be passed by a majority of the members.

Clause 25 The audit committee may invite directors, supervisors, senior management and head of internal auditing department and representative of external auditors to attend its meeting when necessary.

Clause 26 The audit committee may seek for professional advice on any relevant matters when necessary at the expense of the Bank, provided that no trade secrets of the Bank are divulged. The audit committee shall be provided with sufficient resources for the performance of its duties.

Clause 27 A meeting of the audit committee shall have resolutions, minutes or summary and members present at the meeting shall sign on such resolutions, minutes or summary. Such resolutions, minutes or summary shall be kept by the office of the board of directors. The draft and the final version of minutes shall be sent to all members of the audit committee for their comment and records, respectively, in both cases within a reasonable time after the meeting.

Clause 28 The resolutions adopted by meetings of the audit committee and the voting results shall be reported to the board of directors in writing.

Clause 29 Persons present at an audit committee meeting shall keep confidential the minutes, materials and matters considered at such meeting and shall not disclose any relevant information.

Clause 30 Members of the audit committee who participate in the voting on resolution shall be jointly and severally liable for compensation to the Bank should such resolution be in violation of laws, regulations, the Articles, the Listing Rules or other relevant provisions and cause severe losses to the Bank. However, if a member is proven to have cast his/her vote against such resolution and it was so recorded in the minutes of the meeting, he/she shall be exempted from the liabilities.

CHAPTER 5 BYE-LAWS

Clause 31 Unless specifically stated, the terms used herein shall have the same meanings as those in the Articles.

Clause 32 In the event of any matters that are not covered herein or any conflicts between these terms and the subsequent promulgated or amended laws, administrative regulations, departmental rules, the requirements of securities regulatory authorities in the place where the shares of the Banks are listed and the Articles, the provisions of the relevant national laws, administrative regulations, departmental rules, the requirements of securities regulatory authorities in the place where the shares of the Banks are listed and the Articles shall prevail.

Clause 33 The interpretation and amendment of these terms shall be vested in the board of directors.

Clause 34 These terms shall become effective from the date of resolution approved by the board of directors.