

# Harbin Bank Co., Ltd.

## Terms of Reference of the Audit Committee of the Board

### Chapter One General Provisions

**Article 1** In order to strengthen the decision-making function of the Board of Harbin Bank Co., Ltd. (hereinafter referred to as “the Company” or “Company”), to ensure effective supervision of the Board on the operation and management personnel, and to further improve the governance structure of the Company, and in accordance with relevant provisions of laws and regulations such as the 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, Internal Control Guidelines for Commercial Banks, etc., as well as the Articles of Association of Harbin Bank Co., Ltd. (hereinafter referred to as “Company’s Articles”), the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to “Listing Rules”) and the Guidelines on the Operation of the Audit Committees of Companies Listed on Shanghai Stock Exchange, the Audit Committee of the Board (hereinafter referred to as “Audit Committee” or “Committee”) is hereby established by the Company and these Working Rules are prepared.

**Article 2** The Committee is a special working agency under the Board. The Committee, in accordance with the law, has the right to know about the operational conditions of each business lines, the financial conditions and the internal control conditions of the Company, as well as the audit and inspection results of the functional departments and branches by the Internal Audit Department of the Company shall be submitted to the Committee in a timely and comprehensive manner.

### Chapter Two Committee Members

**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 non-executive directors and at least one (1) of them shall have appropriate professional qualifications or accounting or related financial management expertise.<sup>1</sup> All members of the Committee shall have professional knowledge and business experience that are competent for the performance of the duties of the Committee. 3.21

**Article 4** The Committee members shall be nominated by the Chairman and be elected by the Board.

**Article 5** The Committee shall have one (1) chairman, who shall be elected by all Committee members from the independent non-executive directors<sup>2</sup>. Such chairman must be an independent non-executive director. The chairman shall preside the work of the Committee. The Committee shall have one (1) secretary for daily work contact and preparation of Committee meetings. 3.21

A former partners of external audit agency responsible for account auditing of the Company shall not, (i) within one (1) year upon ceasing as a partner of the external audit agency, or (ii) within one (1) year upon termination of his/her entitlement to financial benefits of the external audit agency (whichever the later)<sup>3</sup>, act as a member of the Committee. c.3.2

---

<sup>1</sup> Rule 3.21 of the Listing Rules

<sup>2</sup> Rule 3.21 of the Listing Rules

<sup>3</sup> Code provision C.3.2 of Appendix 14 to the Listing Rules

**Article 6** The term of office of a Committee member is the same as 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, if a member no longer acts as a director of the Company or loses the independence as stipulated by the Company's Articles as an independent non-executive director, his/her qualifications as a Committee member shall automatically terminate and the Board shall fill such vacancy or vacancies according to Articles 3 to 5 above.

### **Chapter Three Duties**

**Article 7** The main duties of Committee members are as follows:

**(I) Review the financial information of the Company<sup>4</sup>**

c.3.3(j)

1. Review the accounting policy, financial condition and financial reporting procedures of the Company, including the integrity of financial statements, annual report and accounts, half-year reports and quarterly reports (if any), and review significant comments relating to financial reporting contained in the statements and reports.

c.3.3(d)

The specific duties shall include the following:

- (A) reviewing the Company's financial reports, and giving opinions on the truthfulness, completeness and accuracy of the financial reports;
  - (B) focusing on significant accounting and audit matters of the Company's financial reports, including, among other things, adjustments to material accounting errors, changes in significant accounting policies and estimates, matters relating to significant accounting judgments, and matters resulting in a failure to receive audit reports with standard unqualified opinions;
  - (C) paying special attention to the possibilities of fraud, corruption and material misstatements relating to financial reports; and
  - (D) supervising the rectification of matters relating to the financial reports.
2. The Committee shall, before submitting relevant reports and statements to the Board, review particularly the following:
    - (A) any changes in accounting policies and practices;
    - (B) major judgmental areas;
    - (C) significant adjustments arising out of audit;
    - (D) the going concern assumptions of the Company and any qualified opinion;
    - (E) compliance with relevant accounting standards; and
    - (F) compliance with the Listing Rules and relevant provisions of laws in relation to financial reporting.

---

<sup>4</sup> Code provision C.3.3 of Appendix 14 to the Listing Rules

3. The Committee member shall, while performing these duties, liaise with the Board and senior management, and coordinate communications between the senior management, the Internal Audit Department and the external auditors. The Committee shall convene at least two (2) meetings with the external auditors of the Company every year, among which at least one (1) shall be a meeting with the external auditors in the absence of the senior management, while the secretary to the Board may attend the meeting. The Committee shall consider any significant or unusual issues as reflected or should be reflected in such reports and accounts, as well as any matters raised by subordinate accountants, financial reporters, supervisors (if any) or external auditors of the Company. <sup>c3.3(e)</sup>

**(II) Review the financial reporting system, the internal control system and their implementation:<sup>5</sup>**

1. Oversee and review on an ongoing basis the Company's financial monitoring and internal control system, and oversee the design, implementation and monitoring of the internal control system by the management to ensure that the Company has established and maintained an appropriate and effective internal control system; review the self-evaluation reports on internal control; review the audit report of the external auditors on internal control, and communicate with the external auditors on issues discovered and improvement measures; review relevant rules and regulations and their implementation, and check and evaluate the major operation activities of the Company in terms of compliance and effectiveness of such rules and regulations; <sup>c2.1 c3.3(f)</sup>

The Committee, while executing these duties, shall:

- (A) listen to the report on, or review the effectiveness of the internal control system of the Company (including its subsidiaries) at least once a year; <sup>c2.3</sup>
- (B) ensure the review covers all material controls, including financial, operational and compliance controls. The Committee should pay special attention to the following in its annual review: <sup>c2.1</sup>
- (i) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; <sup>c2.3</sup>
  - (ii) reviewing the report of the management on the effectiveness of the internal control system, the self-evaluation report on internal control and the audit report of the external auditors on internal control, and reviewing the scope and quality of management's ongoing monitoring of the internal control system, and the work of its internal audit function and other assurance providers;
  - (iii) the extent and frequency of communication of monitoring results to the Board which assists it in assessing the effectiveness of the internal control system of the Company;
  - (iv) if significant control failings or weaknesses have been identified during the period, reviewing the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition, and promoting the rectification of deficiencies of the internal control; and <sup>c2.3</sup>

---

<sup>5</sup> Code provision C.3.3 of Appendix 14 to the Listing Rules

- (v) reviewing the procedures on the financial reporting of the Company and compliance with the requirements of the Listing Rules, including the effectiveness of procedures for the handling and dissemination of inside information and the internal control measures. c2.4
2. Discuss the internal supervision system with the management, oversee the design, implementation and monitoring of the internal control system, and ensure the management has performed its duty to establish and maintain an appropriate and effective internal control system. The contents of such discussion shall include the adequacy of resources, employees' qualifications and their experience in respect of accounting, internal audit and financial reporting functions of the Company, as well as employees' training courses and sufficiency of relevant budgets; c2.2  
c3.3(g)
  3. Ensure appropriate arrangements are in place in the Company to allow the employees to raise concerns in confidence on possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; c3.7(a)
  4. At its own initiative or as delegated by the Board, to look into significant investigation results relating to internal control matters and the response of the management to such investigation results. c3.3(h)
- (III) Supervise and evaluate the adequacy and effectiveness of the internal control function of the Internal Audit Department,** including but not limited to regular meetings and exchange of opinions with the responsible persons of the Internal Audit Department, reviewing the annual working plan and annual working report of the Internal Audit Department, ensuring coordinated work between the Internal Audit Department and external auditors, and ensuring that the Internal Audit Department has sufficient resources for operation, and have appropriate standing. c3.3(i)
- (IV) Supervise and evaluate the relationship between the Company and external auditors and the work of external auditors<sup>6</sup>** 3.3(a)
1. Providing suggestions to the Board on the appointment (including re-appointment), change and removal of the external auditors, approving remuneration and terms of engagement of the external auditors, and timely handling of any issues related to resignation or dismissal of external auditors; 3.3(b)
  2. Checking and supervising the independence, objectivity and professionalism as well as the effectiveness of the audit process of the external auditors according to applicable standards; when evaluating the external auditors' independence, giving special consideration to the impact on their independence by the provision of non-audit services by the external auditors; the Committee shall discuss the nature and scope of the audit, the plan and methods of the audit as well as reporting obligations with external auditors before start of auditing work; and supervising and evaluating whether the external auditors fulfil their duties diligently; c3.3 (c)  
Note 3, c.3.3

---

<sup>6</sup> Code provision C.3.3 of Appendix 14 to the Listing Rules

3. Developing and implementing policies on engaging an external auditor to supply non-audit services;
4. Reviewing 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; c.3.3 (k)
5. Ensuring the Board responds timely to the issues raised in the external auditor's management letter; c.3.7(b)
6. Acting as the key representative body between the Company and external auditors, and being responsible for supervision of the relationship between them; c.3.3 (l)
7. Reporting on any matters where action or improvement is needed for non-audit service provided by external auditors, and providing relevant proposals; c.3.3(m)

**(V) Provide guidance on the internal audit work,** the specific duties of which include the following:

1. reviewing the annual internal audit plan of the Company;
2. supervising the implementation of internal audit plan of the Company;
3. reviewing the internal audit reports, evaluate the results of internal audit and supervise the rectification of material matters; and
4. providing guidance to the Internal Audit Department on effective operation;

The Internal Audit Department of the Company shall report to the Audit Committee. Various audit reports and the plan and status of rectification of the issues identified during an audit shall be submitted by the Internal Audit Department to the senior management and the Audit Committee simultaneously.

**(VI) Report to the Board on the corporate governance functions of the Company, including:** d.3.1

1. ensuring the development of and review the Company's policies and practices on corporate governance and make recommendations to the board;
2. reviewing and monitoring the training and continuous professional development of directors and senior management;
3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
4. ensuring the development of, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

**(VII) other matters authorised by the Board.**

**Article 8** The Committee reports work to the Board.

**Article 9** The Company shall ensure sufficient resources for the Committee to perform its duties. The Board Office shall, together with relevant departments, make preparations for Committee meetings, and provide written information associated with finance and auditing, etc. of the Company according to the procedures stipulated in laws, regulations and the Company's Articles, including but not limited to:

- (I) relevant internal supervision system and its operation as well as assessment reports and financial accounting reports;
- (II) the management's analysis, proposal and conclusion report of the internal control, and its confirmation of the effectiveness of the internal control;
- (III) working reports of the Internal Audit Department, including the analysis of the effectiveness and adequacy of internal controls;
- (IV) the audit report of the external auditors on the internal control;
- (V) due diligence reports, internal audit recommendations, internal supervision assessment reports, and management opinions made by the accounting firm appointed by the Board and senior management, if any;
- (VI) disclosure of financial information by the Company to the public;
- (VII) other relevant matters.

**Chapter Four Rules of Procedures**

**Article 10** The Committee shall convene at least four (4) meetings every year, and notify all the Committee members three (3) days before the meeting; however, such notice period may be waived with consent of the entire Committee. The notice may be given in the form of writing, fax or mail.

The meeting shall be presided by the chairman of the Committee, who shall delegate other members of the Committee to preside the meeting on his/her behalf upon his/her absence.

**Article 11** Notice on meetings of the Committee shall include the following:

- (I) date and place of the meeting;
- (II) duration of the meeting;
- (III) causes and topics;
- (IV) date of notice;
- (V) relevant material of the meeting.

**Article 12** The Committee meeting shall only be held with the presence of more than two thirds (2/3) of the Committee members; each member shall have one (1) vote; resolutions of the meeting shall be approved by an affirmative vote of more than half (1/2) of all the Committee members. When a valid resolution cannot be formed by deliberation due to withdrawal of Committee members, the relevant matter shall be deliberated by the Board directly.

**Article 13** The Committee members shall attend the meeting in person and provide an unequivocal opinion on the matter being deliberated. If a Committee member is unable to attend a meeting for any reason, he/she may authorise another member to attend and give opinion on his/her behalf by signing a power of attorney. The power of attorney shall expressly state the scope and duration of the authorisation. Each member can only be authorised by one member at the same time. If a member being an independent director is unable to attend a meeting for any reason, he/she should authorise another member being an independent director to attend on his/her behalf.

**Article 14** The Committee shall make decisions by voting; meetings may be held by on-site voting or voting through communication.

**Article 15** If necessary, the Committee may require other directors, supervisors, senior management personnel, external experts, representatives of the external auditors, internal auditors, the financial staff, legal advisors and responsible persons of relevant departments to attend the meeting as a non-voting attendee and provide the necessary information.

**Article 16** If necessary, the Committee may hire intermediary institutions to provide professional suggestions for its resolutions, with the costs to be borne by the Company.

**Article 17** Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of external auditors, the Company shall include in the Corporate Governance Report in its annual report of the Company a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view. c.3.5

**Article 18** The convening procedures and voting methods of the Committee meetings and resolutions adopted in the meeting must abide by relevant laws, regulations, the Listing Rules, the Company's Articles and the stipulations in these Working Rules.

**Article 19** Full minutes of the Committee meetings should be kept in writing, and the first and final drafts of the minutes shall be sent to all the Committee members in succession after certain period of time. The first draft is open for members' comments, and the final draft is for record.<sup>7</sup> Members presenting the meeting shall sign on the minutes, and for meetings convened through communication, the opinions of the member shall be recorded or the member shall transmit his/her opinions to the recorder by mail. Minutes of the meeting shall be kept by the conference secretary of the Company.<sup>8</sup> c.3.1

**Article 20** Plans approved, as well as resolutions adopted in the Committee's meetings and the minutes thereof shall be reported to the Board in writing regularly.

**Article 21** Those members presenting and attending the meeting shall keep the issues discussed in the meetings confidential, and shall not disclose relevant information without authorisation.

---

<sup>7</sup> Code provision C.3.1 of Appendix 14 to the Listing Rules

<sup>8</sup> Code provision C.3.1 of Appendix 14 to the Listing Rules

**Article 22** Any member of the Audit Committee having a conflict of interest in the matters to be discussed in the Committee meeting shall withdraw from the meeting.

## **Chapter Five Additional Rules**

**Article 23** The Working Rules shall become effective upon approval of the Board. The former working rules of the Audit Committee of the Board shall become invalid automatically upon the effectiveness of this Working Rules.

**Article 24** The function scope of the Audit Committee shall be disclosed on the websites of the Stock Exchange of Hong Kong Limited and of the Company for interpretation of its role as well as powers delegated to it by the Board.<sup>9</sup> c.3.4

**Article 25** Issues left uncovered by the Working Rules shall be executed in accordance with relevant state laws, regulations, the Company's Articles and the listing rules of the place where the securities of the Company are listed; in case of any conflicts between the Working Rules and future laws, regulations, the Company's Articles modified through legal procedures, or the listing rules of the place where the securities of the Company are listed, relevant state laws, regulations, the Company's Articles or the listing rules of the place where the securities of the Company are listed shall prevail, and the Working Rules shall be amended forthwith and submitted to the Board for approval.

**Article 26** The Board of the Company reserves all the right of interpretation of the Working Rules.

---

<sup>9</sup> Code provision C.3.4 of Appendix 14 to the Listing Rules