

Huishang Bank Corporation Limited
Terms of Reference of the Audit Committee
under the Board of Directors

Chapter 1 General Provisions

Article 1 The Terms of Reference are hereby formulated in accordance with the “Guidelines on Corporate Governance of Commercial Banks”, the “Guidelines on Due Diligence Performance of the Board of Directors of Joint Stock Commercial Banks”, the Articles of Association of Huishang Bank Corporation Limited (the “Articles”), the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (the “Hong Kong Listing Rules”) and other relevant rules and regulations, to further improve the corporate governance structure of Huishang Bank Corporation Limited (hereinafter referred to as the “Bank”), to enhance the decision-making of the Board of Directors of the Bank, to ensure effective supervision over the management of the Bank, and to ensure sustainable, stable and sound development of the Bank.

Article 2 The Audit Committee under the Board is a specialised working body established by the Board of Directors of the Bank pursuant to the Articles and its purpose is to oversee the Bank’s internal control measures, review the Bank’s financial information and disclosure and to supervise and assess the internal audit work of the Bank.

Chapter 2 Composition of the Committee

Article 3 The Audit Committee shall comprise of at least three (3) non-executive directors (including independent non-executive directors). A majority of the committee members shall be independent non-executive directors and the convener shall be an independent non-executive director. At least one of the committee members of the Audit Committee shall be an independent non-executive director who is a finance or accounting professional, and other committee members should also be audit, finance or financial management professionals.

Article 4 A former partner of the Bank's existing external audit firm shall not act as a committee member of the Audit Committee within one year from the following date (whichever is the later):

- (1) the date of which the former partner ceases to be a partner of the accounting firm; or
- (2) the date of which the former partner ceases to have any financial interest in the accounting firm.

Article 5 Committee members of the Audit Committee shall be nominated by the chairman of the Board of Directors and shall be appointed by the Board of Directors. Any adjustment and dismissal of the committee members of the Audit Committee shall be determined by the Board of Directors.

Article 6 There shall be one chairman of the Audit Committee. An independent non-executive director shall serve as chairman of the Audit Committee, and the chairman shall preside over the work of the Audit Committee. The chairman shall be elected by more than

half of all the committee members of the Audit Committee and the decision shall be finalized upon approval by the Board of Directors.

Article 7 The term of office of committee members of the Audit Committee shall be the same as the term of office for directors on the Board of Directors. A committee member may serve consecutive terms if re-elected upon expiry of their term. If any committee member ceases to hold the position of director during their term of office, they will automatically lose their qualification as a committee member. The Board of Directors shall reappoint the necessary number of committee members pursuant to the Articles and this Terms of Reference.

Article 8 The daily work of the Audit Committee shall be organized and implemented by the Office of the Board of Directors and other relevant departments.

Chapter 3 Principal Duties

Article 9 The Audit Committee shall perform the following duties:

(1) to review the Bank's financial statements, annual reports and accounts, interim reports and quarterly reports (if prepared for publication), important opinions within the accounting statements and financial reports and any other information related to the Bank's business operations, and conduct audit on areas such as the Bank's operating efficiency, profit distribution and capital utilization;

(2) to review, and to ensure that the Board of Directors provides timely response to the recommendations (or any equivalent documents) given to the senior management by the external auditors, and to review any major issues raised by the external auditors and the responses provided by the senior management in relation to the Bank's accounting records, financial accounts or control system;

(3) to review the information disclosed at shareholders' general meetings and to the public by the Bank, and to verify the truthfulness, legality, completeness and accuracy of the Bank's financial and accounting reports, capital utilization reports and other material and matters;

(4) to review our systems for internal control and financial monitoring, and to conduct audit with regard to the Bank's material connected transactions, to supervise the implementation of and compliance with the Bank's risk management system, to discuss internal control measures with members of senior management and report the same to the Board of Directors, as delegated by the Board of Directors or on its own initiative, to analyze findings of material investigation relating to the internal control measures and the senior management's response to such findings ;

(5) to supervise the implementation of the Bank's internal audit systems;

(6) to organize and lead internal audit under the authorization of the Board of Directors;

(7) to take charge of the Bank's annual audit, to make recommendations to the Board of Directors regarding the appointment, re-appointment and dismissal of the external auditors, and to prepare and submit subjective reports regarding the truthfulness, accuracy,

completeness and timeliness of information in the audited financial statements to the Board of Directors for review. The Audit Committee should require the appointed external auditors to provide an explanation on the scope of their services provided, their terms of appointment, fees charged and other matters which may affect the independence of the audit, and make an assessment on the independence of the external auditors and submit it to the Board of Directors for their approval. The Audit Committee should deal with any issues relating to the resignation or removal of the external auditors;

(8) to review the financial and accounting policies and practice of the Bank;

(9) to take charge of the communication and coordination between the internal auditors and external auditors, and to ensure that internal audits are adequately resourced and have appropriate standing within the Bank;

(10) to evaluate the whistleblowing mechanism for the Bank's employees in relation to financial statements, internal control or other irregularities of the Bank, and to conduct independent and fair investigation on whistleblowing, and to take appropriate action; and

(11) to carry out any other matters as authorized by the Board of Directors.

Article 10 The committee members of the Audit Committee shall, before taking office, make a statement to the Board of Directors stating that they will have sufficient time and effort to perform their duties, and that they will undertake to act with diligence. No committee member shall attend less than two-thirds of the total number of committee meetings held over the entire year, otherwise the committee member may be removed or replaced in accordance with procedure.

Article 11 When fulfilling their work duties, the committee members of the Audit Committee shall act with integrity, self-discipline and dedication and shall safeguard the interests of the Bank, and they shall not abuse their status or powers for personal gain.

Article 12 Unless otherwise stipulated by law or authorized by the Board of Directors, the committee members of the Audit Committee shall not disclose any information regarding the Bank without authorization.

Chapter 4 Procedures and Rules for Meeting

Article 13 The Audit Committee shall, on a quarterly basis, report to the Board of Directors on the progress of the audit work, and issue notices to the senior management as well as to the Board of Supervisors.

Article 14 The Audit Committee shall consider the opinions put forward by the senior management before discussing the audit report issued by the agency on the Bank's operating results for the previous financial year. If the Audit Committee has any objections or questions concerning the audit report, it shall raise such queries with the agency and relevant parties. After the Audit Committee has reviewed and approved of the audit report, it shall submit written comments to the Board of Directors for consideration.

Article 15 The Audit Committee shall formulate annual work plans, hold at least two (2) committee meetings each year, and timely convene ad hoc meetings if necessary. A committee meeting shall be convened by the chairman of the Audit Committee. The Board of Directors or more than two (2) committee members of the Audit Committee shall have the right to submit a proposal to the chairman of the Audit Committee for a meeting of the Audit Committee to be convened.

If the chairman of the Committee, due to special reasons, is unable to perform his/her duties, he/she may appoint another committee member to chair the committee meeting.

Article 16 Voting at committee meetings of the Audit Committee shall be by way of open ballot voting or, if necessary, by way of communication and other methods.

Article 17 A notice of a committee meeting shall be given to all committee members of the Audit Committee at least five (5) working days before the committee meeting is convened. Meetings of the Audit Committee shall only be convened with the presence of more than two-thirds of the committee members.

Article 18 If any committee member of the Audit Committee is unable to attend the committee meeting for any reason, he/she shall authorize another committee member to attend on his/her behalf by way of written authorization. The proxy form shall specify the authorization, and the authorized person shall have no material interests in the matters to be discussed at a committee meeting.

Article 19 Each committee member of the Audit Committee shall be entitled to one vote. Resolutions at the committee meeting must be passed by the votes of more than half of all committee members.

Article 20 The Bank's directors, supervisors, members of senior management, head of the internal audit department and the representatives of the external auditors may be invited to attend meetings of the Audit Committee when necessary.

Article 21 The Audit Committee shall keep records, resolutions and minutes of its meetings. Committee members present at a committee meeting shall sign on the records, resolutions and minutes of the committee meeting, which shall be kept by the Office of the Board of Directors.

Article 22 The resolutions passed at meetings of the Audit Committee and the voting results shall be reported in writing to the Board of Directors, and shall also be submitted to the Board of Supervisors.

Article 23 Personnel present at a committee meeting shall be obliged to keep confidential all committee meeting records, materials and matters discussed at such committee meeting, and shall not disclose any relevant information without authorization.

Chapter 5 Supplementary Provisions

Article 24 Any matters not mentioned in this Terms of Reference, or any conflicts between this Terms of Reference and the promulgated or amended laws, administrative regulations, departmental rules, the provisions of the securities regulatory authorities of the

jurisdictions in which the Bank's shares are listed and the Articles, shall be resolved in reference to the national laws, administrative regulations, departmental rules, the provisions of the securities regulatory authorities of the jurisdictions in which the Bank's shares are listed or the Articles.

Article 25 The Board of Directors has the power to interpret and to amend this Terms of Reference.

Article 26 This Terms of Reference have been approved by the Board of Directors and shall become effective from the date on which the H Shares under the Global Offering of the Bank are listed and traded on The Stock Exchange of Hong Kong Limited. Once this Terms of Reference becomes effective, the original Terms of Reference of the Nomination and Remuneration Committee of the Bank shall automatically lapse.