

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*

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

Considered and approved at the 2024 eighth meeting of the third session of the board of directors of the Company on November 1, 2024



* *China Development Bank Financial Leasing Co., Ltd. is (a) not an authorized institution within the meaning of the Banking Ordinance; (b) not authorized to carry on banking/deposit-taking business in Hong Kong; and (c) not subject to the supervision of the Hong Kong Monetary Authority.*

Terms of Reference of the Audit Committee of the Board of Directors of China Development Bank Financial Leasing Co., Ltd.

Chapter 1 General Provisions

Article 1 In order to regulate the decision-making mechanism of the board of directors and improve the corporate governance structure of China Development Bank Financial Leasing Co., Ltd. (the “Company”), these terms of reference are formulated in accordance with the Company Law of the People’s Republic of China, the Administrative Measures on Financial Leasing Companies, the Corporate Governance Standards for Banking and Insurance Institutions, the Measures for Administration of Selection and Engagement of Accounting Firms by State-Owned Enterprises and Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules of the Stock Exchange”), the Articles of Association of China Development Bank Financial Leasing Co., Ltd. (hereinafter referred to as the “Articles of Association”), the Rules of Procedure for Board Meetings of China Development Bank Financial Leasing Co., Ltd. (hereinafter referred to as the “Rules of Procedure for Board Meetings”), other relevant laws, administrative regulations, rules and regulatory documents, and with reference to the actual situation of the Company.

Article 2 The audit committee of the board of directors (hereinafter referred to as the “Committee”) is established by the Company to assist the board of directors in carrying out its relevant responsibilities. The Committee is mainly responsible for overseeing, examining and evaluating the internal control, financial information, internal audit and other matters of the Company, and supervising the audit of the annual financial reports.

Chapter 2 Composition

Article 3 The Committee shall consist of at least three directors, with the number of independent directors constituting a majority of the members of the Committee, and all members of the Committee shall be non-executive directors. The members of the Committee shall have professional knowledge and working experience in one of the areas of finance, auditing, accounting or law. At least one of the independent directors shall be an accounting professional possessing appropriate professional qualifications as required by the Listing Rules of the Stock Exchange, or appropriate accounting or related financial management expertise.

Article 4 The chairman and members of the Committee shall be elected, replaced, dismissed and removed by the board of directors of the Company upon the recommendation of the Nomination Committee or the proposal of the Chairman of the board of directors.

A former partner of an accounting firm which currently is responsible for the audit of the Company shall not serve as a member of the Committee within two years commencing from the following dates (whichever is later):

- (1) the date on which he/she ceased to be a partner in such accounting firm; or
- (2) the date on which he/she ceased to have financial interests in such accounting firm.

Article 5 The members of the Committee shall have the same term of office as the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiration of his/her term. During this period, if any member ceases to hold office as a director of the Company, such member shall be automatically disqualified as a member of the Committee. In the event of a vacancy in the members of the Committee, the board of directors shall appoint a new member to fill the vacancy in a timely manner in accordance with the provisions of these terms of reference in order to meet the requirements on composition of the Committee provided in these terms of reference. The term of office of the new member shall expire upon the expiration of his/her term of office as a director.

Article 6 The Committee shall have one chairman, who is acted by an independent director, to be in charge of the work of the Committee. The chairman shall spend no less than 20 working days per year with the Company. The primary duties of the chairman are:

- (1) to preside over the meetings of the Committee, ensure the efficient operation of the Committee and the performance of its duties;
- (2) to confirm the agenda of each meeting of the Committee;
- (3) to ensure that all members have full knowledge of the issues to be discussed at the meeting of the Committee and obtain complete and reliable information;
- (4) to ensure that the Committee reaches a clear conclusion to each proposal discussed which includes passed, rejected or supplementary materials needed;
- (5) to propose the convening of special meetings;
- (6) other duties stipulated in these terms of reference.

Article 7 The primary duties of the members of the Committee are:

- (1) to attend the Committee meetings on time, provide opinions on the discussed issues, and exercise the voting right;
- (2) to keep abreast of relevant issues within the terms of the reference of the Committee and to raise issues or matters requiring the Committee's attention or consideration in a timely manner;
- (3) to attend relevant meetings of the Company as observers or visitors, make investigations and researches, and acquire necessary reports, documents and materials, for the purpose of performing the duties;
- (4) to fully understand the duties of the Committee as well as the duties as the Committee members, be familiar with the operation and management status, business activities and development situation of the Company relevant to their duties, and ensure the capacity for performing their duties;
- (5) to attend meetings of the Committee in a meticulous and responsible manner and to fulfil their duties in accordance with the law and to fully guarantee the working time and capacity for performing their duties;
- (6) other duties stipulated by laws, regulations, regulatory documents, securities regulatory authorities of the place where the Company's shares are listed and the Articles of Association, as well as those duties authorised by the board of directors.

Chapter 3 Duties of the Committee

Article 8 The primary duties of the Committee are:

- (1) to examine significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
- (2) to examine the financial information and relevant disclosure of the Company:
 - (i) The Committee shall supervise the preparation, audit and disclosure of financial reports and other relevant works of the Company. In accordance with the accounting standards applicable to the Company and relevant regulatory laws and regulations, it shall examine the financial and accounting policies and practices, examine and analyze the compliance, risks and the relevant follow-up measures in all the major stages varying from the preparation to the disclosure of financial reports of the Company. It shall maintain close communication with the management and internal audit department and the external accounting firm, provide evaluation opinions and recommendations based on its review, and report to the board of directors;
 - (ii) The Committee shall, within the period stipulated by laws, administrative regulations and regulatory documents, consider the annual reports and interim reports of the Company, and review significant financial reporting judgments contained in the financial reports and financial statements, provide considered opinions on the authenticity, accuracy and completeness of information in the financial reports, and report the review opinions to the board of directors. The opinions considered by the Committee shall particularly set out the following matters:
 - a. any changes in accounting policies and practices;
 - b. issues involved in major judgments;
 - c. significant adjustments resulting from audit;
 - d. the going concern assumptions and any qualifications;
 - e. compliance with accounting standards;
 - f. compliance with requirements of disclosure of financial information stipulated by laws, administrative regulations and regulatory documents;
 - (iii) In regard to item (ii) mentioned above:
 - a. members of the Committee shall liaise with the board of directors and senior management of the Company. The Committee shall meet with the accounting firm at least twice a year;
 - b. the Committee shall consider any significant or unusual matters that have been, or should be, reflected in these reports and accounts, and shall properly consider matters proposed by the officers in charge of the finance, accounting and compliance departments of the Company and the accounting firm.

- (3) to consider and approve the internal control evaluation plan of the Company, and supervise and evaluate the internal control of the Company; to monitor the misconducts in the Company's financial reporting and internal control, including the following:
- (i) the Committee shall discuss with the management regarding the internal control to ensure that the management has established an effective internal control system (including the resources of accounting and financial reporting function as mentioned in Article 10 of these terms of reference);
 - (ii) the Committee shall examine the following arrangements of the Company: employees of the Company can, in confidence, raise concerns with the Committee 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 by the Company;
 - (iii) the Committee should ensure that proper arrangements are in place for employees of the Company and those who deal with the Company to raise concerns, in confidence, with the Committee about misconducts in any matter related to the Company.
- (4) to propose the appointment or dismissal of an accounting firm, to supervise the work of the accounting firm and to inspect the report of the accounting firm to ensure that the accounting firm undertakes its audit responsibilities:
- (i) the Committee shall formulate policies, procedures and relevant internal control system for the selection and engagement of an accounting firm in accordance with the authorization of the board of directors;
 - (ii) the Committee shall propose to launch the relevant work on selection and engagement of accounting firms; be responsible to organize relevant internal departments in preparing tender documents on selection and engagement of an accounting firm; oversee the selection and engagement process;
 - (iii) the Committee shall make recommendations as to the proposed selection and engagement of the accounting firm and the auditing expenses, present them to the board of directors for consideration, which will be finally decided at the general meeting;
 - (iv) the Committee shall supervise and evaluate the auditing work of the accounting firm, supervise its independence and objectivity, as well as the effectiveness of auditing procedures, specifically include:
 - a. to discuss the nature and scope of audit as well as the relevant reporting responsibilities with the accounting firm prior to the commencement of audit work, and determine the schedule for the audit of the annual financial report;
 - b. to urge the accounting firm for the submission of the audit reports within the agreed period, and obtain the overall progress of the audit work of the annual report;

- c. to examine the audit explanation issued by the accounting firm to the senior management of the Company and ensure the timely response by the board of directors; to take the initiative or pursuant to the authorization of the board of directors, to study and examine any significant inquiry in respect of accounting records, financial accounts or internal control system raised by the accounting firm to the senior management or raised by the senior management, other significant investigation results relevant to the internal control and the relevant response made by the senior management; and to report to the board of directors as to the relevant matters of this Article;
 - d. to submit an evaluation report on the performance of the accounting firm engaged and a report on the performance of the Committee's supervisory responsibilities to the board of directors annually, ensuring that the accounting firm undertakes its audit responsibilities;
 - e. to develop policy on engaging an accounting firm to provide non-audit services and monitor its implementation, and report to the board of directors on any matters identified in the external audit work where action or improvement is needed, and make recommendations;
 - f. to be responsible for other matters authorized by the laws and regulations, the Articles of Association and the board of directors relevant to the selection and dismissal of the accounting firm and the resignation of the accounting firm.
- (5) to ensure the internal audit is adequately resourced and has appropriate standing within the Company; pursuant to the authorization of the board of directors, to consider and approve the audit budget, employees' remuneration and the appointment and dismissal of principal person in charge of the Company, supervise and evaluate the work of the internal audit of the Company, form the medium to long term audit plan, annual working plan and internal audit system setting plan of the Company and report to the board of directors;
- (6) to facilitate communications and monitor the relationship between the internal audit department of the Company and the accounting firm;
- (7) to perform other matters as provided by the laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed as well as the Articles of Association and the Rules of Procedure for Board Meetings and as authorized by the board of directors.

Article 9 The Committee may submit a proposal to the board of directors for consideration and approval, and also may, based on practical needs, report to the board of directors in the forms of report, recommendation and summary for perusal and study.

Article 10 The Committee shall have the full assistance and comprehensive support from senior management of the Company. The senior management shall ensure that the finance and accounting departments of the Company are adequately resourced, including enough qualification and experience of relevant employees and enough budgets for employees training, and shall provide accurate and complete information on operating condition and business status of the Company to the Committee on a timely basis to assist the Committee in properly performing its duties.

Article 11 The Committee shall have the right to investigate principal internal control, financial information and internal audit matters. The approaches of investigation include, but are not limited to, attending relevant meetings of the Company as observers or visitors, conducting investigations and studies within the Company's system and requiring the senior management or relevant responsible personnel of the Company to make oral or written reports to the Committee within the required period and answer relevant questions of the Committee timely. The Committee shall study relevant investigation matters and the replies of the senior management or relevant responsible personnel and report the investigation results and recommendations to the board of directors.

Article 12 The Committee may engage an intermediary institution to provide professional advice on its decision when necessary. Any reasonable costs so incurred shall be borne by the Company.

Chapter 4 Meeting Rules

Article 13 The Committee shall hold at least two meetings each year and meet at least twice a year with the accounting firm. The board of directors, the chairman of the Committee or over half of the Committee members shall have the right to propose to convene a Committee meeting.

The meeting notice shall be delivered three days before convening of the meeting, but with unanimous approval of all Committee members, the above-mentioned notice period could be exempted.

Article 14 The meeting notice shall include:

- (1) the venue and time of the meeting;
- (2) the agenda, topics for discussion and relevant detailed materials of the meeting;
- (3) the date of issuance of the meeting notice.

Article 15 The meeting notice may be sent in person, or by telephone or electronic mail and so forth.

Article 16 The Committee meeting may be held in the forms of physical meeting (refers to a meeting where participants can be guaranteed to communicate and discuss instantly on-site or through video and telephone) or circulation of written proposals (refers to where a resolution is made on a proposal by serving it for respective consideration or by circulating it for consideration).

Article 17 The Committee meeting shall be held with the attendance of over half of all the members who have voting rights.

When needed, persons other than the Committee members, may be invited to attend the Committee meeting as observers.

Article 18 The Committee meeting shall be presided over by the chairman, or by an independent director designated by the chairman when he/she is unable to perform duties due to special reasons.

Article 19 The Committee meeting shall adopt vote by open ballot voting. Each member of the Committee shall have one vote; and the resolutions of the meeting shall be approved through vote by over half of all Committee members who have voting rights.

Article 20 The Committee shall establish meeting minutes system, and the minutes shall be taken by a specific personnel appointed by the board of directors' office. As needed, the meeting may adopt on-the-spot audio record, which shall be supplemented after the meeting with written minutes based on the audio records. The written meeting minutes based on the audio records shall be sent to all members for review within ten working days after the conclusion of the meetings. Members who request to revise or supplement the meeting minutes shall provide their written comments within five working days after receiving the meeting minutes. After the meeting minutes are finalized, all members present at the meeting shall sign the final version of meeting minutes.

Minutes of the Committee meetings shall be kept by the secretary of the Committee. The secretary of the Committee shall be the company secretary or any person otherwise appointed by the Committee from time to time. The review opinions of the key aspects of the Committee, as well as the resolutions and minutes of the meetings shall be clearly traceable and permanently retained as important documents of the Company in accordance with the archive management system of the Company.

Article 21 The proposals which are adopted by the Committee meeting for submission to the board of directors for consideration, shall be submitted to the board of directors for perusal and decision-making in accordance with the procedures prescribed by the Company.

Article 22 Upon authorization or approval of the board of directors, if the resolutions passed at the Committee meeting need to be further carried out by the senior management or other relevant persons in charge of the Company, the board of directors' office shall inform the relevant senior management or other relevant responsible personnel of such resolutions as soon as possible. The Committee shall have the right to require the above-mentioned personnel to report on the progress of implementation by the stipulated deadline or at the next meeting.

Article 23 The members and other personnel that attend the Committee meeting shall have the obligation to keep confidential on the issues discussed and resolved at the meeting, and shall not disclose relevant information without permission. The person in breach of the confidentiality obligation shall be legally liable for the Company.

Chapter 5 Work Procedures

Article 24 The board of directors' office is responsible for works including collection of information related to the work of the Committee, research support, daily working communication and organization of meetings. The relevant departments of the Company shall cooperate accordingly.

Article 25 If the Committee has significant or special issues that should be presented to the board of directors for perusal, it shall submit written reports to the board of directors, and may suggest the Chairman of the board of directors to convene the board meeting.

Article 26 If any senior management of the Company has significant or special issues within the authority of the Committee, he/she shall submit written reports to the Committee, and may suggest the chairman of the Committee to convene a meeting for discussion.

Article 27 The written reports presented by the senior management of the Company to the Committee shall be signed by the President or senior management who are responsible for relevant issues.

Article 28 The Committee shall report to the board of directors on the progress of its work in relation to the matters set out in these terms of reference or on a specific issue, if required.

Chapter 6 Supplementary Provisions

Article 29 Unless otherwise stated, the terms used in these terms of reference have the same meanings as those in the Articles of Association.

Article 30 The formulation and revisions of these terms of reference shall be effected from the date when they are passed by the board resolution and shall be implemented upon the date of promulgation.

Article 31 For any matters that are not covered in these terms of reference, or in the case of any contradictions between these terms of reference and the provisions of the laws, administrative regulations, departmental rules, regulatory documents, the Listing Rules of the Stock Exchange or the Articles of Association, the latter shall prevail.

Article 32 The power of revision and interpretation of these terms of reference shall be vested in the board of directors.