

# **Shanghai Dongzheng Automotive Finance Co., Ltd.\***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

## **Work Rules for the Audit Committee of the Board of Directors**

### **Chapter 1 General Provisions**

Article 1 To strengthen the decision-making function of the board of directors (the “Board of Directors”) of Shanghai Dongzheng Automotive Finance Co., Ltd.\* (the “Company”), ensure effective supervision over senior management by the Board of Directors and optimize corporate governance structure, these work rules (the “Rules”) for the Audit Committee of the Board of Directors (the “Audit Committee” or the “Committee”) are formulated by the Board of Directors in accordance with the Company Law of the People’s Republic of China (the “Company Law”) and the articles of association of Shanghai Dongzheng Automotive Finance Co., Ltd.\* (the “Articles of Association”), with reference to the Guidelines on Corporate Governance of Commercial Banks.

Upon listed on the Main Board of The Stock Exchange of Hong Kong Limited and issuance of foreign shares (the “IPO”), these Rules shall also be subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as amended from time to time and other applicable laws and regulations of the Hong Kong Special Administrative Region of the People’s Republic of China. In case of any inconsistency or conflict between any applicable laws, administrative regulations, the Articles of Association or the Listing Rules and these Rules, the strictest provisions shall prevail according to the principle of strictness.

Article 2 The Audit Committee of the Board of Directors is mainly responsible for communicating with, supervising and examining internal and external auditors of the Company; reviewing risks and compliance, accounting policies, financial reporting procedures and financial position; and organizing annual audit, proposing for engagement and replacement of external auditors, and making judgment on truthfulness, accuracy, completeness and timeliness of the information in audited financial reports before submitting them to the Board of Directors for review.

## **Chapter 2 Committee Composition**

- Article 3           The Audit Committee shall consist of at least three non-executive directors, including a majority of independent non-executive directors, with at least one independent non-executive director shall have professional qualifications under the Listing Rules or appropriate accounting or related financial management expertise.
- A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of two years from the later of the following dates: when he ceases to be a partner of the firm or when he ceases to have any financial interests in the firm.
- Article 4           Members of the Audit Committee shall be nominated by the Chairman of the Board of Directors, more than half of the independent non-executive directors or one-third or more of all directors, and shall be elected by the Board of Directors.
- Article 5           The Audit Committee shall have one chairman who shall be an independent non-executive director and take charge of the work of the Committee. The chairman shall be elected from the members, subject to approval by the Board of Directors.
- Article 6           Members of the Audit Committee shall have a term of office in congruence with that of the Board of Directors, and may be re-elected and reappointed. A member who during his/her term of office no longer serves as a director or, if in the capacity of independent non-executive director, ceases to have the independence required by the Articles of Association and the Listing Rules shall be automatically disqualified as a member of the Committee, and the Committee shall fill up the vacancy in accordance with the requirements as above. A member shall not be dismissed without reason prior to expiry of his/her term of office, unless there arises any circumstance precluding his/her office as stipulated in the Company Law, the Articles of Association or the Listing Rules.

### **Chapter 3 Duties and Authorizations**

#### Article 7

Main duties and functions of the Audit Committee include:

- (1) to be primarily responsible for making recommendations to the Board of Directors on the appointment, reappointment and removal of an external auditor, approve the remuneration and terms of engagement of the external auditor, and any questions about resignation or dismissal of that auditor;
- (2) to review and monitor the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards; and discuss with the auditor about the nature and scope of the audit and reporting obligations before the audit commences;
- (3) to develop and implement policies on the engagement of an external auditor to provide non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee shall report and make recommendations to the Board of Directors on any matters in respect of which it considers that action or improvement is needed;
- (4) to monitor integrity of financial statements of the Company and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing these reports before submission to the Board of Directions, the Committee shall focus particularly on:
  - (i) any changes in the accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;

- (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (5) Regarding (4) above:
- (i) members of the Committee should liaise with the Board of Directors and senior management and the Committee must meet, at least twice a year, with the Company's auditors;
  - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (6) to review the Company's financial controls, internal control and risk management systems;
- (7) to discuss the system of internal control with the management to ensure that the management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (8) to consider major investigation findings on internal control matters as delegated by the Board of Directors or on its own initiative and management's response to these findings;
- (9) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (10) to review financial and accounting policies and practices of the Company and its subsidiaries;

- (11) to review 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;
- (12) to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditor's management letter;
- (13) to report to the Board of Directors on the matters set out herein;
- (14) to consider other topics, as defined by the Board of Directors;
- (15) to ensure appropriate arrangements employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (16) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (17) to report its decisions or recommendations to the Board of Directors, except those that cannot be reported due to legal or regulatory restrictions;
- (18) other matters delegated by the Board of Directors.

Article 8            The Audit Committee shall report and submit proposals to the Board of Directors for consideration and approval. The Audit Committee shall cooperate with the auditing function of the Supervisory Committee.

Article 9            At the invitation of the Chairman of the Board of Directors, the Audit Committee shall designate its chairman or, in his/her absence, another member or his/her authorized representative to attend and respond to inquiries at the annual general meeting.

Article 10           Relevant departments of the Company are obligated to cooperate with and provide relevant materials to the Audit Committee.

Article 11           The Audit Committee should be provided with sufficient resources to discharge its duties, including but not limited to, if necessary, the Audit Committee may engage intermediaries to provide professional advice for its decisions at the cost of the Company.

## **Chapter 4 Convening and Rules of Procedures for Meetings**

- Article 12 Meetings of the Audit Committee include regular meetings and extraordinary meetings. Regular meetings shall be convened at least two times every year. A notice of meeting shall be served to all members seven days prior to the meeting. The meeting shall be chaired by the chairman of the Committee who, if unable to be present, may appoint another member to chair the meeting. If an extraordinary meeting needs to be convened as soon as possible in case of emergencies, the meeting can be convened without the foregoing limitation on notice period, provided that the chairman of the Audit Committee shall give explanation at the meeting.
- Article 13 The quorum of the meetings of the Audit Committee shall be two-thirds or more of all its members, each having a ballot for voting. Resolutions of the meetings shall be passed by more than half of all members. A member of the Audit Committee shall attend the meeting in person, or appoint in writing other member to attend on his/her behalf due to his/her absence. The name of the proxy, matters appointed and scope of authorization shall be specified in the power of attorney which shall be signed or sealed by the principal.
- Article 14 A meeting of the Audit Committee may be held on-site or by circulation of written proposals. Members can attend a meeting of the Audit Committee via telephone, video or other means of communication. Members who attend a meeting through the aforesaid means are deemed to having attended a meeting. Members who attend a meeting via telephone, video or other means of communication should ensure that they can communicate clearly with other members of the meeting.
- Article 15 The voting may be made by a show of hands or by poll at the meetings of the Audit Committee.
- Article 16 Meetings of the Audit Committee may be attended by the secretary to the Board and, where necessary, by other directors, supervisors and other senior management members of the Company upon request.
- Article 17 The convening procedures, voting methods and resolutions of the meetings of the Audit Committee shall be in compliance with requirements of relevant laws, regulations, the Articles of Association and these Rules.

- Article 18 The office of the Board of Directors is responsible for the preparation work for the Audit Committee's decision-making, including but not limited to: collection of meeting materials, daily work liaison and the organizing of meetings. Relevant departments of the Company should actively cooperate with the office of the Board of Directors on this.
- Article 19 Minutes shall be made for the meetings of the Audit Committee, and shall contain full details of the matters considered thereat. The draft and final versions of minutes of the meeting shall be delivered to all members of the Committee for their comment and records within twenty-one days after the meeting. All members who have attended the meetings shall sign the minutes. The minutes for the meeting shall be kept by the secretary of the Board of the Company.
- Article 20 Resolutions and voting result of a meeting of the Audit Committee shall be submitted in writing to the Board of Directors.
- Article 21 All members present at the meeting are obligated to keep confidential the matters considered thereat, and shall not disclose the relevant information without authorization.

## **Chapter 5 Supplementary Provisions**

- Article 22 The expression "or more" herein for the numbers includes the underlying number indicated while "exceed" or "below" excludes the underlying number.
- Article 23 Subject to adoption as resolved by the Board of Directors, these Rules shall come into effect and be implemented on the date when the Company's overseas listed foreign shares (H shares) are issued and listed.
- Article 24 These Rules shall be published on websites of the Company and The Stock Exchange of Hong Kong Limited as required by the Listing Rules.

Article 25 Matters not covered by these Rules shall be governed by relevant laws, regulations of the PRC, the Listing Rules and the Articles of Association. In the event that these Rules conflict with applicable laws, regulations of the PRC, the Listing Rules and the Articles of Association validly amended, the latter shall prevail and these Rules shall be revised immediately and adopted after considered and approved by the Board of Directors.

Article 26 These Rules shall be interpreted by the Board of Directors.

\* *For identification purposes only*