

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*

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

Considered and approved at the 2016 first meeting of the first session of
the board of directors of the Company on January 14, 2016



* *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 Guidelines on the Corporate Governance of Commercial Banks, 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”) and the other relevant laws, administrative regulations, rules and regulatory documents.

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, all of whom shall be non-executive directors. The majority of the members of the Committee shall be independent directors, and at least one of them shall have appropriate professional qualifications or appropriate financial, accounting or auditing expertise.

Article 4 The Committee shall have one chairman, who is acted by an independent director, to be in charge of the work of the Committee. The primary duties of the chairman are:

- (1) to preside over the meeting 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 of the Committee have full knowledge of the issues to be discussed in the meeting and obtain complete and reliable information;
- (4) to ensure that the Committee reaches a clear conclusion to each proposal which includes passed, rejected or supplementary materials needed;
- (5) to propose the convening of special meetings;
- (6) to sign meeting resolutions;
- (7) other duties stipulated in these terms of reference.

Article 5 The chairman and other members of the Committee shall be elected and removed by the board of directors of the Company in accordance with the advices of the nomination committee and the chairman of the board of directors.

A former partner of the current external accounting firm which is responsible for auditing of the Company should be prohibited from acting as a member of the Committee of the Company for a period of one year from the date (whichever is later) of his or her ceasing:

- (1) to be a partner of such external accounting firm; or
- (2) to have any financial interest in such external accounting firm.

Article 6 The members of the Committee shall have the same term of office as the board of 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 or an independent director of the Company, the board of directors shall appoint a new member to fill the vacancy in a timely manner in accordance with the provisions of Article 5 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 or an independent director.

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 right to vote;
- (2) to propose the topics to be discussed of the Committee meetings;
- (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 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 fully guarantee the working time and capacity for performing their duties;
- (6) other duties stipulated in these terms of reference.

Chapter 3 Duties

Article 8 The primary duties of the Committee are:

- (1) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
- (2) to review 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 supervision laws and regulations, it shall review 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 opinions and recommendations based on its review, and report to the board of directors;

(ii) The Committee shall review the financial statements, annual reports and accounts, interim reports, agreed procedures, audit reports and other relevant information of the Company. It shall review the significant opinions regarding financial reports contained in the financial statements and reports, and provide opinions on the completeness, accuracy and authenticity of preparation and disclosure of the financial reports of the Company;

(iii) In reviewing financial reports before submission to the board of directors, the Committee shall focus particularly on: the basis of and any changes in accounting policies, major accounting judgments, significant adjustments resulting from audit, the going concern assumptions, any qualified opinions issued by the external accounting firm, compliance with the accounting standards and the requirements regarding financial reporting of laws, regulations and listing rules of the place where the shares of the Company are listed;

(iv) The Committee shall consider significant or unusual items that have been, or may need to be, reflected in the financial reports and accounts;

(v) The Committee shall properly consider items proposed by the officers in charge of the financial, accounting and compliance departments and the external accounting firm.

(3) to consider and approve the internal control evaluation reports of the Company, and supervise and evaluate the internal control of the Company:

(i) The Committee shall discuss with the management regarding the internal control to ensure that the management has established an effective internal control system;

(ii) The Committee shall, on its own initiative or as delegated by the board of directors, study the financial significant inquiry raised by external accounting firm to the management on accounting records, accounts and internal control system and other investigation findings related to internal control of the Company, and consider the feedback of the management.

(4) to ensure the internal audit is adequately resourced and has appropriate standing within the Company; to supervise and evaluate the work of the internal audit of the Company; to consider and approve 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:

(i) The Committee shall evaluate the effectiveness of internal audit work;

(ii) The Committee shall consider and approve the medium-to-long term audit plan, annual working plan and internal audit system setting plan of the Company.

(5) to propose the appointment or dismissal of an external accounting firm, to supervise the work of the external accounting firm and to review the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities:

(i) The Committee shall make recommendations to the board of directors on the appointment, reappointment or removal of external accounting firm, review the remuneration and terms of engagement letters of external accounting firm, and deal with matters in relation to the resignation or removal of external accounting firm;

(ii) The Committee shall monitor the external accounting firm's independence and objectivity and the effectiveness of the audit process, and discuss with the external accounting firm on the nature and scope of audit and relevant reporting obligations before the audit commences;

(iii) The Committee shall develop policy on engaging an external accounting firm to supply non-audit services and monitor its implementation. The Committee should report to the board of directors, identifying and making recommendations on any matters where action or improvement is needed;

(iv) The Committee shall study the external accounting firm's management letter and make recommendations to the board of directors, in order to ensure the board of directors timely takes actions in response to the matters identified by the external accounting firm in the management letter.

(6) to facilitate communications and monitor the relationship between the internal audit department of the Company and the external accounting firm;

(7) to monitor the non-compliance of the Company in respect of financial reports and internal control:

(i) The Committee shall review 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;

(ii) The Committee should ensure that proper arrangements are in place for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about improprieties in any matter related to the Company.

(8) to perform other duties as provided for by 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 requirements of the Articles of Association and the Rules of Procedure for Board Meetings and other matters as authorized by the board of directors.

Article 9 The Committee may submit a proposal to the board of directors for review and approval and provide perusal and discussion results of the proposal to the board of directors in the forms of report, recommendation and summary for perusal and decision-making.

The Committee shall report the resolutions and recommendations it adopted to the board of directors, except for issues which may conflict with the general duties of the Committee or are restricted from reporting by the laws, regulations or regulatory requirements.

Article 10 The Committee shall supervise the independence and objectivity of the external auditors and the effectiveness of the audit procedures; make a complete and objective assessment on the annual audit work and practice quality of external auditors as required by the regulatory requirements, and put forward final recommendations to the board of directors; gain complete knowledge of and make proper assessment on the accounting firms proposed to be engaged, and present its opinions to the board of directors for resolution and to the general meeting for review; review terms and conditions of the engagement and remuneration and deal with the matters in relation to the resignation or removal of external auditors, then report and disclose according to regulatory requirements. The Committee shall formulate policies on the provision of non-audit services by external auditors and implement such policies.

Article 11 The Committee is authorized to require the senior management of the Company to give full support to the work of the Committee. 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 12 The Committee shall have the right to investigate principal internal control, financial information and internal audit matters. The approaches of investigation include, but not limited to attending relevant meetings of the Company as observers or visitors, conducting investigations and studies within the Company 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 questions of the Committee timely. The Committee shall study relevant investigation matters and the replies of the senior management or relevant persons in charge and report the investigation results and recommendations to the board of directors.

Article 13 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 Audit of Financial Reports

Article 14 The Committee shall, within the period of time stipulated by applicable laws, administrative regulations and regulatory documents, review the annual report, interim report and quarterly report of the Company, give opinions on the authenticity, accuracy and completeness of financial report information, and report the review opinions to the board of directors.

The review opinions of the Committee shall particularly set out the following matters:

- (1) any changes in accounting policies and practices;
- (2) major judgmental areas;
- (3) significant adjustments resulting from audit;
- (4) the going concern assumptions and any qualified opinions for continuing enterprise operation;
- (5) compliance with accounting standards;

(6) compliance with requirements of disclosure of financial information stipulated by laws, administrative regulations and regulatory documents.

In regard to item (1) to (6) mentioned above, the Committee shall properly consider any significant or unusual items that are, or may need to be, reflected in these reports and accounts and consider any matters proposed by the Company's accounting and financial reporting personnel, compliance chief or the external accounting firm.

Article 15 The Committee shall timely supervise the audit of the annual financial report, specifically include:

(1) to determine the schedule for the audit of the annual financial report;

(2) to urge the external auditors for the submission of the audit reports within the agreed period, and be informed of the overall progress of the audit work;

(3) to review the financial accounting statements prepared by the Company prior to the onsite audit of the external auditors, form written opinions, and discuss with the external auditors on the nature and scope of auditing and related reporting obligations; to enhance the communication with the external auditors during their on-site audit, review the financial accounting statements again after external auditors issue preliminary opinions and form written opinions;

(4) to review the annual financial accounting reports and submit to the board of directors for review upon forming resolutions; meanwhile, to submit the summary report on the annual audit of the accounting firm to the board of directors;

(5) to propose on the engagement, replacement or dismissal of external auditors and submit the proposals to the board of directors for review;

(6) to disclose relevant documents in the annual report in accordance with the provisions of laws, administrative regulations and regulatory documents.

Article 16 The Committee shall timely examine and report to the board of directors the audit explanation issued by external auditors to the senior management of the Company and any significant inquiry, any significant or unusual matters raised by the external auditors to the senior management or raised by the senior management on accounting records, financial accounts or internal control system, and urge the board of directors to make a timely response to the external auditors.

Chapter 5 Meeting Rules

Article 17 The Committee shall hold at least two meetings each year. 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.

The Committee shall hold at least two meetings each year with external auditors.

Article 18 The meeting notice shall include:

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

Article 19 The meeting notice may be sent by special personnel, or through fax, registered mail or E-mail and so forth.

Article 20 The Committee meeting may be held in the forms of on-site meeting, telephone conference, video conference and circulation of written proposals and so forth.

Article 21 The Committee meeting shall be held with the attendance of over half of all the members.

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

Article 22 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 23 The Committee meeting shall adopt vote by showing hands or 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.

Article 24 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 present at the meeting for review within ten working days after the conclusion of the meetings. Members who request to revise or supplement the minutes shall provide their written comments within five working days after receiving the minutes. After the minutes are finalized, all members present at the meeting and the recorder shall sign the final version of meeting minutes.

The meeting minutes shall be regarded as important documents of the Company and retained by the secretary of the board of directors in accordance with the archive management system of the Company.

Article 25 The proposals and voting results which are adopted by the Committee meeting for submission to the board of directors for review, shall be signed by the chairman or other Committee member authorized by the chairman and then submitted to the board of directors in writing for perusal and decision-making.

Article 26 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 above-mentioned personnel in writing as soon as possible after the resolutions being signed by the chairman or other Committee member authorized by the chairman. 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 27 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 6 Work Procedures

Article 28 The board of directors' office is responsible for works including information collection, research support, daily working communication and organization of meetings. The relevant departments shall cooperate accordingly.

Article 29 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 its chairman to convene the board meeting.

Article 30 The written reports presented by the Committee to the board of directors shall be signed by the chairman of the Committee or other Committee member as authorized by the chairman.

Article 31 If any senior management 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 32 The written reports presented by the senior management to the Committee shall be signed by the President or senior management who are responsible for relevant issues.

Article 33 The 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.

Chapter 7 Supplementary Provisions

Article 34 Unless otherwise stated, the terms used in these terms of reference have the same meanings as those in the Articles of Association.

Article 35 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 36 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, regulatory documents, rules or Articles of Association, the latter shall prevail.

Article 37 The power of revision and interpretation of these terms of reference shall be vested in the board of directors.