

CZBANK  **浙商银行**

CHINA ZHESHANG BANK CO., LTD.

浙商银行股份有限公司

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

The Rules of Procedure for the Audit Committee of the Board of Directors

**Hangzhou, China
November 2019**

**The English version is for reference only. Should there be any inconsistency
between the English and Chinese versions, the latter shall prevail.**

The Rules of Procedures for the Audit Committee of the Board of Directors of China Zheshang Bank Co., Ltd.

Chapter I General Provisions

Article 1 To standardize the procedure behavior for the Audit Committee of the Board of Directors (hereinafter referred to as the “Audit Committee”) of China Zheshang Bank Co., Ltd. (hereinafter referred to as our “Bank”) and safeguard the Audit Committee to implement duties in accordance with laws and regulations, these Procedural Rules are formulated pursuant to the laws and regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (Shang Zheng Fa [2019] No. 52, hereinafter referred to as the “SSE Listing Rules”), the Guidelines on the Operation of Audit Committee of the Board of Directors of Listed Companies on the Shanghai Stock Exchange (Shang Zheng Fa [2013] No. 22), the Code of Corporate Governance for Listed Companies (China Securities Regulatory Commission Announcement [2018] No. 29) and the Articles of Association of China Zheshang Bank Co., Ltd. (hereinafter referred to as the “Articles of Association of our Bank”) and other relevant laws and regulations.

Article 2 The Audit Committee is a specialized organization under the Board of Directors and is mainly responsible for reviewing our Bank’s internal control system and its implementation, internal audit, and the implementation of the internal audit system, expressing an opinion on the appointment of an external auditor and overseeing its relationship with our Bank, reviewing our Bank’s financial information and supervising financial reporting, and making judgments on the authenticity, integrity, accuracy and timeliness of the financial information. Regarding our Bank’s interests as the supreme criterion, the Audit Committee exercises authority independently in accordance with the Articles of Association of our Bank and is accountable and shall report to the Board of Directors.

Article 3 The members of the Audit Committee should ensure sufficient time and energy to perform the duties of the Committee in a diligent and dedicated way, so as to effectively monitor our Bank’s external audit, guide our Bank’s internal audit, promote our Bank’s establishing of effective internal control and provide financial reports that are true, accurate and complete.

The members of the Audit Committee shall attend the meetings and activities of the Committee on time, and their attendance should be used as an assessment for the performance of directors’ duties.

Article 4 Our Bank provides necessary working conditions for the Audit Committee, and assigns special personnel or organizations to undertake the Audit Committee’s daily work, such as liaison for work, organization of meetings, preparation of materials and file management. The senior management and relevant departments of our Bank shall cooperate with the Audit Committee during its performance of duties.

Chapter II Organizational Structure

Article 5 The Audit Committee should comprise a minimum of three (3) non-executive directors and the majority of the members shall be independent directors. The Audit Committee shall have one (1) chairman who should be an independent director. The chairman shall have appropriate professional qualification or accounting or related financial expertise as required by the Hong Kong Listing Rules and the Code of Corporate Governance for Listed Companies and shall preside over the work of the Committee. The chairman and other members of the Audit Committee shall be nominated by the chairman of and elected by the Board of Directors.

A former partner of our Bank's existing external auditor shall be prohibited from acting as a member of the Audit Committee for a period of two (2) years from the date of his/her ceasing:

- (1) to be a partner of the firm; or
- (2) to have any financial interest in the firm,

whichever is later.

When the members of the Audit Committee and its composition fail to meet the requirements of this article, the Board of Directors shall immediately explain the details and reasons for failure to meet the requirements through public announcement in accordance with the requirements of the relevant securities regulatory authority, and shall fill the vacancy in accordance with the provisions of this article within three months after the date failure to meet the abovementioned requirements.

Article 6 The term of office of the members of the Audit Committee shall be identical with that of the directors and members of the Committee may serve consecutive terms if re-elected upon the expiration of their terms. If any member ceases to be a director of our Bank, he/she shall automatically be disqualified as a member of the Committee and the Board of Directors shall timely fill the vacancy according to the Articles of Association of our Bank.

The Board of Directors of our Bank shall evaluate the independence and duty performance of the members of the Audit Committee on a regular basis, and may replace those members who are not suitable for continuing the position as and when necessary.

Article 7 Our Bank shall organize members of the Audit Committee to participate in relevant trainings to enable them to obtain know-how in the legal, accounting and regulatory requirements of listed companies necessary for performing their duties in a timely manner.

Chapter III Responsibilities

Article 8 In accordance with relevant provisions of the laws, regulations and the Articles of Association of our Bank, the main duties of the Audit Committee are as follows:

- (I) To supervise and evaluate the effectiveness of our Bank's internal control:
1. To assess the appropriateness of our Bank's design of internal control system;
 2. To review self-evaluation report on internal control;
 3. To review the internal control audit report issued by the external auditor, and communicate with the external auditor about the problems identified and improvement;
 4. To assess the results of internal control evaluations and audit and urge the rectification of internal control deficiencies;
 5. To discuss the internal control system with the management to ensure that management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualification and experience as well as training programmes and budget of our Bank's internal control;
 6. To study, based on the delegation of the Board of Directors or actively, the important findings on matters related to internal control and feedback of the findings from senior management;
 7. To inspect the Explanation Notes to Audit (if any) issued by the external auditor to the senior management or other equivalent documents and any material queries raised by the external auditor about our Bank's internal control system and the response made by the senior management;
 8. To make sure that the Board of Directors will provide a timely response to the issues raised in the Explanation Notes to Audit (if any) issued by the external auditor to the senior management or other equivalent documents;
 9. To monitor the improprieties in our Bank's financial statements and internal control, ensure that employees can anonymously raise concerns about possible improprieties in financial reporting, internal control or other matters, and accept internal complaints and reports on the internal control, finance and other issues. The Audit Committee should ensure appropriate follow-up action by our Bank;
 10. To consider other topics as defined by the Board.

(II) To supervise and evaluate the work of the external auditor:

1. To evaluate the independence and professionalism of the external auditor, in particular, the impact of providing non-audit services by the external auditor on its independence;
2. To make recommendations to the Board on the appointment, re-appointment or replacement of the external auditor;
3. To review the audit fee and appointment terms of the external auditor and report to the Board for consideration;
4. To supervise and evaluate whether the external auditor is responsible and diligent;
5. Before the audit work starts, the Audit Committee should first discuss and communicate the audit nature, scope, plan, methods and responsibility of the relevant report, as well as the major audit findings, with the external auditor;
6. To review the report issued by the external auditor, and ensure the ultimate responsibility of the external auditor for the Board and the Audit Committee;
7. To formulate and implement the policy to hire an external auditor to provide non-audit services. For this purpose, the external auditor shall include any institution under the common control, ownership or management rights with the company responsible for audit, or a third party having reasonable knowledge of all relevant information, and any institution which is in reasonable conditions concluded that the institution is a part of the local or international business of the company responsible for the audit. The Audit Committee shall report and make recommendations to the Board about any action to be taken or any matters to be improved.

(III) To guide our Bank's internal audit work:

1. To review the annual internal audit plan of our Bank;
2. To urge the implementation of the internal audit plan of our Bank;
3. To guide the effective operation of the internal audit department, ensure that the internal audit department is adequately resourced and has appropriate standing within our Bank;
4. To review the internal audit reports, assess the internal audit results and urge the rectification of significant issues, as well as evaluate the working procedures and effectiveness of the internal audit department.

Internal audit department of our Bank shall report to the Audit Committee. Various audit reports and the plan and progress of rectification on the problems identified during an audit shall be submitted by the internal audit department to the management and the Audit Committee simultaneously.

- (IV) To be responsible for coordinating the communication between the management, internal audit department and relevant departments and the external auditor:
1. To coordinate the communication between our Bank with the external auditor in respect of major audit issues;
 2. To make sure the coordination between the internal audit department and the external auditor and review and monitor its effectiveness.
- (V) To review and give opinions on our Bank's financial reports:
1. To review our Bank's financial reports, give opinions on the truthfulness, accuracy, completeness and timeliness of information of the audited financial statements and submit them to the Board for consideration;
 2. Before submitting the relevant statements and reports to the Board for consideration, the Audit Committee shall specifically focus on the following matters: adjustments to material accounting errors, changes in significant accounting policies and estimates, issues involving significant accounting judgments, and matters resulting in a failure to receive standard unqualified opinion audit reports, compliance with accounting standards and laws and regulations relating to financial reporting, and compliance with the provisions of the Hong Kong Listing Rules and SSE Listing Rules;
 3. To pay special attention to the possibilities of fraud, corrupt practice and material misstatements relating to financial reports;
 4. The Audit Committee shall review and consider any significant or unusual matters reflected or required to be reflected in the financial reports and accounts, and shall appropriately consider any matters raised by the staff of our Bank in charge of accounting, finance, audit, supervision and compliance and external auditor;
 5. To supervise the rectification of financial reporting matters.
- (VI) Other matters specified by the relevant laws and regulations, regulatory documents, relevant securities regulatory authority and the stock exchanges where our Bank's shares are listed and authorized by the Board.

Article 9 The Audit Committee may set up a working group for critical work to give specific guidance to carry out the work. Members of the Audit Committee should regularly contact the Board and senior management. The Audit Committee is entitled to require our Bank's senior management to give full support to the work of the Audit Committee, and reply to the questions raised as soon as possible. Senior management shall have responsibilities to provide adequate and appropriate information for the Audit Committee in a timely manner to help them make informed decisions. The Audit Committee and its members may make further investigation when it considers necessary and contact the senior management independently.

Article 10 The Audit Committee shall report and make recommendations to the Board on the necessary measures to be adopted and matters to be improved.

Article 11 When necessary, the Audit Committee may hire an external expert and intermediary institution to provide independent and professional advice during performing its duties and the reasonable expenses shall be borne by our Bank.

Article 12 The Audit Committee and our Bank's external auditor shall hold meetings at least twice a year.

The Audit Committee shall at least meet with the external auditor for separate communication once a year without the attendance of the senior management of our Bank. The secretary to the Board may attend the meeting as an observer.

Article 13 Where our Bank proposes to engage or change the external auditor, the Audit Committee shall form its review opinion on such matter and submit it to the Board before the Board may consider the relevant proposals.

Chapter IV Rules of Meeting

Article 14 The meetings of the Audit Committee shall include regular meetings and extraordinary meetings. The chairman of the Audit Committee shall convene and preside over the meetings.

When the chairman of the Audit Committee fails or refuses to perform the duties, an independent director shall be appointed to perform the duties instead.

The Audit Committee is responsible for collecting meeting topics and proposes the meeting to discuss and consider such topics after approval by the chairman.

Article 15 The Audit Committee shall hold at least four regular meetings every year.

The Audit Committee may hold extraordinary meetings when necessary. When two or more members of the Audit Committee propose, or when the chairman considers necessary, an extraordinary meeting can be held.

Article 16 The quorum of the Audit Committee meetings shall be not less than two thirds of the members.

Notice of the meeting to be convened by the Audit Committee should be given three days prior to the meeting and the Board of Directors Office shall be responsible for delivering the meeting notices and meeting documents to each member. Such notice may be waived subject to the unanimous consent of all members of the Committee.

Article 17 The meeting of the Audit Committee shall be mainly convened in the form of a physical meeting (including telephone conference and video conference), and can also be convened in the form of written resolutions, subject to the precondition that the members can fully express their opinions. When the meeting is convened in the form of written resolutions, the members or other members entrusted by them shall write “for”, “against” or “abstain” on the resolution. Once the number of the directors who sign in favor of a resolution reaches the quorum as required for making the resolution in the Articles of Association of our Bank, the proposal shall be adopted. The method of written resolutions shall specify the effective time limit of the vote, and the members who fail to express their views within the specified time limit shall be deemed as a waiver.

Article 18 If the meeting of the Audit Committee is convened in the form of a physical meeting, the members of the Audit Committee shall attend meetings in person, give definite opinions on the matters to be discussed and vote by show of hands or other means. When a member of the Audit Committee is unable to attend a meeting for any reasons, he/she may submit an authorization letter signed by himself/herself to authorize another member to attend the meeting and give opinions on his/her behalf. The authorization letter shall clearly specify the scope and period of authorization. Each member may act as proxy for a maximum of one member only. An independent director shall authorize another independent director within the Audit Committee to attend the meeting on his/her behalf when he/she fails to attend such meeting in person for any reasons.

Any member who fails to attend the meeting of the Audit Committee without authorizing other members to attend the meeting in writing on behalf of this member shall be deemed to have waived the voting rights at this meeting.

Article 19 Audit opinions of the Audit Committee shall be passed by a majority of all members, and shall be submitted to the Board of Directors in writing. Members having the interests with the voting matters shall not exercise the right to vote and should be avoided. The issues shall be reviewed directly by the Board of Directors when the Audit Committee is unable to give effective audit opinions due to the abstaining of its member(s).

Article 20 If necessary, the Audit Committee may invite representative of external auditors, supervisors of our Bank, internal audit personnel, financial personnel, legal advisors and other relevant personnel to attend the meeting of the Audit Committee and provide necessary information.

Article 21 The meeting of the Audit Committee should have the resolutions and minutes and the members attending the meeting shall sign the resolutions of the meeting. Minutes shall have detailed records on the matters reviewed and the decisions made in the meeting, including any concerns raised by the members and different views expressed by the members. The draft and the final version of minutes should be sent in a reasonable period of time after the meeting to all the Committee members for review. The draft shall be used for members to express their views and the final version of minutes shall be used for file.

Minutes shall be kept by the company secretary and the Board of Directors Office. Upon reasonable request by any director, such minutes shall be provided to the director for review within a reasonable period of time.

Article 22 Meeting resolutions and minutes of the Audit Committee and power of attorney to authorize other persons to attend the meeting shall be retained for more than a decade as our Bank's file.

Article 23 Minutes of the Audit Committee shall be reported to the Board of Directors in writing with a copy to the Board of Supervisors, senior management and related departments of our Bank.

Article 24 Members present at the meeting and persons attending the meeting without voting rights shall keep the meeting resolutions, minutes, materials and matters discussed confidential and shall not disclose the relevant information without authorization.

Article 25 The procedures for convening a meeting, the method of voting and the resolutions passed at a meeting of the Audit Committee shall comply with relevant laws and regulations, the Articles of Association and other requirements.

Article 26 The Board of Directors Office shall be responsible for daily affairs of the Audit Committee.

Chapter V Information Disclosure

Article 27 Our Bank shall disclose the information on the members of the Audit Committee, including the composition of members, their professional backgrounds and work experiences in the past five years, as well as the changes in the members of the Audit Committee.

Article 28 Our Bank shall also disclose a summary of the work of the Audit Committee during the year on the website(s) and media designated by the stock exchange(s) where our Bank is listed when publishing its annual report, primarily including the performance of responsibilities of the Audit Committee and the convening of meetings by the Audit Committee.

Article 29 In case of discovery of material matters contravening the information disclosure standards required under the SSE Listing Rules and Hong Kong Listing Rules during the discharge of duties by the Audit Committee, our Bank shall promptly disclose such matters and the rectifications thereof.

Article 30 If the Audit Committee puts forward its audit opinions to the Board of our Bank on any matter within the scope of its duties and those opinions are not taken by the Board, our Bank shall disclose such matter and provide reasons for taking a different view.

Article 31 Our Bank shall disclose the special opinions issued by the Audit Committee on the material issues of our Bank in accordance with the laws and regulations, regulatory documents, related requirements of relevant regulatory authorities and the stock exchange(s) where our Bank is listed.

Chapter VI Supplementary Provisions

Article 32 The Audit Committee shall promptly report the matters within the scope of its duties to the Board. The Audit Committee should report the adopted proposals to the Board and shall regularly inform the Board of its decisions and recommendations adopted, unless otherwise reporting any matter is conflict with the general responsibility of the Audit Committee or is not allowed by laws and regulations or regulatory regulations.

The chairman of the Audit Committee shall attend the annual general meeting. If the chairman is unable to attend the meeting, the chairman of the Board shall invite another member within the Audit Committee to attend the annual general meeting. If such member is unable to attend the meeting, a suitable representative should be appointed. Members or representatives attending the annual general meeting should answer questions about the work of the Audit Committee raised by shareholders at the meeting.

Article 33 The term “not less than” as mentioned herein shall include the figure listed.

Article 34 Any matters that are not covered herein shall be subject to the relevant laws and regulations, regulatory documents, relevant regulatory rules, the Articles of Association of our Bank and its provisions as amended from time to time.

Article 35 These Procedural Rules shall be interpreted by the Board of Directors Office of our Bank.

Article 36 These Procedural Rules shall be published on our Bank’s website and the website(s) of the stock exchange(s) where our Bank’s shares are listed.

Article 37 These Procedural Rules shall be effective from the date of issuance. The Notice on Issuing the Rules of Procedure for the Audit Committee of the Board of Directors of Zheshang Bank Co., Ltd. (2019 Edition) (Zhe Shang Yin Dong [2019] No.1) shall be abolished from the date of issuance of these Procedural Rules.