

# China Development Financial Holding Corporation

## Audit Committee Charter

Competent Authority: Secretariat, Board of Directors

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**Article 1** In order to enhance corporate governance of the Company and strengthen the function of the Board of Directors, the Audit Committee Charter (“the Charter”) is established pursuant to Article 14-4 of the Securities and Exchange Act, Article 3 of the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and relevant bylaws and the Articles of Incorporation to abide by.

**Article 2** Matters concerning the number, term of office, powers, rules of procedure for meetings, and resources to be provided by the Company when the Audit Committee (“the Committee”) exercises its powers shall be handled in accordance with this Charter.

**Article 3** The main function of the Committee is to supervise the following matters:

1. Fair presentation of the financial reports of the Company.
2. The hiring (and dismissal), independence, and performance of certified public accountants of the Company.
3. The effective implementation of the internal control system of the Company.
4. Compliance with relevant laws and regulations by the Company.
5. Management of the existing or potential risks of the Company.

**Article 4** The Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.

The independent director members of the Committee shall serve a 3-year term, and may be re-elected to further terms. When the number of the independent director members on the Committee falls below that prescribed in the preceding paragraph or in the articles of incorporation due to an independent director's dismissal for any reason, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of the occurrence to hold a by-election to fill the vacancies.

**Article 5** The provisions regarding supervisors in the Securities and Exchange Act, the Company Act, and other laws and regulations shall apply mutatis mutandis to the Committee.

The provisions of Article 14-4, paragraph 4 of the Securities and Exchange Act, in regard to the Company Act as concerns the powers of supervisors, apply mutatis mutandis to the independent director members of the Committee.

A representative of the Company prescribed in Article 213, 214 and 223 of the Company Act shall be selected by the Committee in accordance with the procedures prescribed in Article 8 paragraph 4 of the Charter. The Committee may decide to be represented by individual member or joint members; if the representative is not selected in accordance with the procedures in Article 8 paragraph 4, the Company shall be represented jointly by all members.

**Article 6** The powers of the Committee are as follows:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.

3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. The offering, issuance, or private placement of equity-type securities.
7. The hiring or dismissal of a certified public accountant, or their compensation.
8. The appointment or discharge of a financial, accounting, or internal audit officer.
9. Annual financial reports and second quarter financial reports, which are signed or sealed by the chairperson, managerial officer and accounting officer.
10. The annual business report, and the surplus earnings distribution or loss make-up proposal.
11. Other material matters as may be required by the Company or by the competent authority.

The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the Board of Directors for a resolution.

Any matter in the paragraph 1, with the exception of subparagraph 9, that has not been approved by one half or more of the entire membership of the Committee may be adopted with the approval of two thirds or more of the entire Board of Directors, not subject to the restrictions of the preceding paragraph, and the resolution shall be recorded in the board meeting minutes.

"The entire membership" and "the entire board of directors," as used herein, shall be counted as the number of members actually in office at the given time.

The convener of the Committee shall represent the Committee to the public.

**Article 7** The Committee shall convene at least once quarterly, and may call a meeting at its discretion whenever necessary.

In calling a meeting of the Committee, a notice of the reasons for convening the meeting shall be given to each independent director member at least 7 days in advance. In emergency circumstances, however, the meeting may be called on shorter notice.

A meeting of the Committee shall be held at the location and during the business hours of the Company, or at a place and time convenient to all independent director members and suitable for holding such a meeting.

A member of the Committee shall be elected as the convener and meeting chair by and from the entire membership of the Committee. However, in case the Committee members cannot elect the convener, the independent director who received a ballot representing the largest number of votes at the election of independent directors shall be the convener.

When the convener is on leave or unable to convene a meeting for any reason, the convener shall appoint another independent director member on the Committee as acting convener; if the convener does not make such an appointment, one independent director member of the Committee shall be elected by and from the other independent director members of the Committee to serve as convener.

One half or more of the entire membership of the Committee may, by filing a written proposal setting forth therein the subjects for discussions and the reasons, request the convener to convene a meeting of the Committee. If the convener fails to convene a meeting of the Committee within 15 days after the filing of the request, one half or more of the independent director members of the Committee may convene a meeting on their own.

The Committee may request the managers of relevant departments, internal audit officers, certified public accountants, attorneys, or other personnel of the Company to attend the meeting as non-voting participants and provide pertinent and necessary information, provided that they shall leave the meeting when deliberation or voting takes place.

When the Committee calls a meeting, it shall furnish the members of the Committee present at the meeting with relevant materials for reference as necessary.

**Article 8** When a meeting of the Committee is held, an attendance book shall be made available for signing-in by the independent director members in attendance, and thereafter made available for reference.

Independent director members shall attend meetings of the Committee in person; if an independent director member is unable to attend in person, the independent director member may appoint another independent director member as proxy to attend the meeting. Attendance via telecommunications is deemed as attendance in person.

A member of the Committee that appoints another independent director member as proxy to attend a meeting of the Committee

shall in each instance issue a written proxy stating the scope of authorization with respect to the items on the meeting agenda.

Resolutions at meetings of the Committee shall be adopted with the approval of one half or more of the entire membership. The result of a vote shall be made known immediately and recorded in writing.

If for a legitimate reason it is impossible to hold a meeting of the Committee, matters on the meeting agenda shall be adopted with the consent of two thirds or more of the entire Board of Directors. Nevertheless, a written opinion indicating approval shall be obtained from each independent director member with respect to the matters under Article 6, paragraph 1, subparagraph 10.

The proxy under paragraph 2 may accept a proxy from one person only.

**Article 8-1** When the time of a meeting has arrived and one-half of the membership of the Committee are not present, the meeting chair may announce postponement of the meeting time to a later time of the same day, provided that only two postponements may be made. If the quorum is still not met after two such delays, the chair shall re-call the meeting following the procedures provided in Article 7, paragraph 2.

**Article 8-2** A meeting of the Committee shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of one half or more of the entire membership of the Committee.

The meeting chair may not declare the meeting closed without the approval of one half or more of the entire membership of the Committee.

If at any time during the proceeding of a meeting the members sitting at the meeting are not more than half of the entire membership of the Committee, then upon motion by the independent directors sitting at the meeting, the meeting chair shall declare a suspension of meeting, in which case the preceding article shall apply mutatis mutandis.

If at any time during the proceeding of a meeting the Convener cannot preside the meeting for any cause or the meeting chair fails to declare the meeting closed in accordance with the procedures prescribed in paragraph 2, the regulations of Article 7 paragraph 5 shall apply to the election of the acting chair.

**Article 9** Discussions at a meeting of the Committee shall be included in the meeting minutes, which shall faithfully record the following:

1. The session, time, and place of the meeting.
2. The name of the meeting chair.
3. Attendance by the independent director members, including the names and the number of members present, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: For each proposal, the method of resolution and the result; a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting; the name of any independent director that is an interested party as referred to in Article 11, paragraph 1, an explanation of the important aspects of the relationship of interest, the reasons why the independent director was required or not required to enter recusal, and the status of their recusal; and any objections or reservations expressed.

8. Extraordinary motions: The name of the mover; the method of resolution and the result for each motion; a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting; the name of any independent director that is an interested party as referred to in Article 11, paragraph 1, an explanation of the important aspects of the relationship of interest, the reasons why the independent director was required or not required to enter recusal, and the status of their recusal; and any objections or reservations expressed.
9. Other matters required to be recorded.

The attendance book constitutes part of the minutes for each meeting of the Committee and shall be preserved permanently.

The minutes of a Committee meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each independent director within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of paragraph 1 may be produced and distributed in electronic form.

**Article 9-1** The Company shall record on audio or video tape the entire proceedings of a Committee meeting, and preserve the recordings for at least five years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a Committee meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.



Where a Committee meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the Company.

**Article 10** The Committee's meeting agenda shall be drafted by the convener. Other members may also put forward proposals for discussion by the Committee.

The work unit accountable of the Committee affairs is Secretariat under the Board of Directors, which assists the Committee in meeting agenda preparation, meeting notification, meeting procedure, meeting minutes, and other related tasks.

**Article 11** If any independent director member of the Committee is an interested party with respect to any agenda item, the independent director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the independent director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another independent director's proxy to exercise voting rights on that matter.

Where the spouse or a blood relative within the second degree of kinship of an independent director member has interests in the matters under discussion in the meeting of the preceding paragraph, such independent director shall be deemed to have a personal interest in the matter.

If, for the reason stated in paragraph 1, an agenda item cannot be resolved at a meeting of the Committee, it shall be reported to the Board of Directors, and be resolved in accordance with Article 8, paragraph 5 of the Charter.

**Article 12** The Committee may resolve to retain the service of an attorney, certified public accountant, or other professionals to provide advice with respect to matters in connection with Article 6. The costs of their services shall be borne by the Company.

**Article 13** The Committee members shall exercise the due care of a good administrator and faithfully perform the duties prescribed in this Charter; they shall be accountable to the Board of Directors and shall submit their proposals to be resolved by the Board.

**Article 14** The Committee shall conduct periodic reviews of matters relating to the Charter and present the results for amendment by the Board of Directors.

The execution of tasks relating to resolutions adopted by the Committee may be delegated to the convener or other Committee members for follow-up, with a written or verbal report to be presented to the Committee during the implementation period. When necessary, the matter shall be presented for ratification or a report made at the next meeting of the Committee.

**Article 15** This Charter, and any amendments hereto, shall be adopted by a resolution of the Committee and further by the Board of Directors, and shall take effect from the date of issuance.