

**CITIC SECURITIES COMPANY LIMITED**  
**TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF**  
**THE BOARD OF DIRECTORS**

<b>Subject of formulation</b>	Office of the Board of Directors
<b>Effective date</b>	December 2023
<b>Type of system</b>	<input checked="" type="checkbox"/> Corporate Governance System
	<input type="checkbox"/> Basic Management System
	<input type="checkbox"/> Operation and Management System of the Company
	<input type="checkbox"/> Departmental Management System
<b>Information about the historical versions</b>	Considered and formulated at the fourth meeting of the first session of the Board of Directors of the Company in April 2002
	Considered and amended at the thirty-third meeting of the fourth session of the Board of Directors of the Company in September 2011
	Considered and amended at the thirty-sixth meeting of the fourth session of the Board of Directors of the Company in December 2011
	Considered and amended at the third meeting of the sixth session of the Board of Directors of the Company in April 2016
	Considered and amended at the fourteenth meeting of the eighth session of the Board of Directors of the Company in December 2023

## **Chapter 1 General Principles**

**Article 1** To improve and regulate the procedures for deliberation and making decision of the Audit Committee of the Board of Directors of CITIC Securities Company Limited (the Company), improve its efficiency and enhance its capacity to make informed decisions, and ensure to conduct the work smoothly, these Rules are made in accordance with the relevant laws, regulations and rules of the State, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the SSE Rules), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the SEHK Rules) (collectively Local Listing Rules) and the Articles of Association of CITIC Securities Company Limited (the Articles of Association), and in light of the conditions of the Company.

**Article 2** The Audit Committee, as a special functional body of the Board of Directors that is set up in accordance with the Articles of Association, shall be primarily responsible for assisting the Board of Directors to independently review the financial position and the performance and effectiveness of the internal control system, for the compliance control of the operation management and investment business, for reviewing and supervising the internal audit results, and for the independent communication with, supervision and verification of internal audit department and external audit institution of the Company.

**Article 3** The Audit Committee shall meet at least once in every quarter.

## **Chapter 2 Composition of the Audit Committee**

**Article 4** The Audit Committee shall consist of no less than three directors. the members of the committee shall be non-executive directors who do not serve as members of senior management of the Company, of whom the majority must be independent non-executive directors, and at least one of the independent non-executive directors must be a professional accountant. Former partners of the current external auditor of the Company shall be prohibited from acting as a member of the Audit Committee for a period of two years commencing on the date of his ceasing to be a partner of the firm or to have any financial interest in the firm (whichever is the later).

**Article 5** The chairman of the Audit Committee shall be an accounting professional among the independent non-executive directors elected by two thirds or more of the members of the Audit Committee.

**Article 6** The members of the Audit Committee shall be elected by the Board of Directors, with the same tenure as the Board of Directors. Where any member of the committee no longer assumes the position as a director of the Company, or as an independent non-executive director, fails to meet the independence as required pursuant to relevant laws, regulations and rules, the Local Listing Rules or the Articles of Association, he or she shall be automatically lose his or her identity as a member of the committee, and the vacancy shall be filled by the Board of Directors pursuant to Articles 4 to 5 hereinabove.

## Chapter 3 Duties of the Audit Committee

**Article 7** Pursuant to the Local Listing Rules and the Articles of Association, the Audit Committee shall perform the following duties:

(I) to be primarily responsible for making recommendations to the Board of Directors on the appointment, re-appointment and removal of the external audit institution, and to approve the remuneration and terms of engagement of the external audit institution, and any questions of its resignation or dismissal;

(II) to review and monitor the external audit institution's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the audit institution the nature and scope of the audit and reporting obligations before the audit commences;

(III) to develop and implement policy on engaging an external audit institution to supply non-audit services. The Audit Committee should report to the Board of Director, identifying any matters where action or improvement is needed and making recommendations as to the steps to be taken. The external audit institution includes any entity that is under common control, ownership or management with it or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude as to be part of the audit firm nationally or internationally;

(IV) to review the financial information of the Company and its disclosure. To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them. When reviewing these reports, the committee should focus particularly on:

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 qualifications;
5. compliance with accounting standards;
6. compliance with the Local Listing Rules and legal requirements in relation to financial reporting;

(V) regarding (IV) above:

1. 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 audit institution;

2. the committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, or audit institution.

(VI) to review and supervise the Company's financial control and internal control systems continuously. When performing these duties, the Audit Committee shall:

1. conduct at least annually a review of the effectiveness of the internal control system of the Company (including the subsidiaries of the Company);

2. ensure that the relevant review has covered all material control aspects, including financial control, operational control and compliance control. When conducting the annual review, the Audit Committee shall pay special attention to the followings:

(1) the changes in the nature and extent of significant risks since the last annual review and the capabilities of the Company to respond to changes in its business and external environment;

(2) consider the report prepared by the management and submitted to the Board of Directors on reporting the effectiveness of the internal control system, and review the scope and quality of the management's continuous monitoring of the internal control system, as well as the internal audit function and the work of other departments responsible for providing other assurances;

(3) the extent and frequency of communication of monitoring results to the Board of Directors, to assist the Board of Directors to evaluate the effectiveness of the internal control system of the Company;

(4) significant control failings or weakness that have been identified during the period, and the extent to which they have resulted in unforeseen consequences or contingencies that have had, may have or will have a material impact on the financial performance or condition of the Company; and

(5) examine the Company's financial reporting procedures and compliance with the requirements of the Local Listing Rules, including the effectiveness of the procedures for handling and releasing inside information and the internal control measures.

(VII) to discuss the internal control system with the management to ensure that the management has performed its duty to establish an effective internal control system, including to ensure the adequacy of resources, staff qualifications and experience, and the sufficiency of staff training programmes and the relevant budget in respect of the Company's accounting, internal audit and financial reporting functions;

(VIII) to consider major investigations findings on internal control matters as delegated by the Board of Directors or on its own initiative and management's response to these findings;

(IX) to ensure co-ordination between internal audit department and the work of external audit institution; and to ensure that the internal audit function is adequately resourced for operating within the Company, and is able to conduct independent evaluation on the effectiveness of internal control of the Company and has appropriate standing; and to review and monitor the effectiveness of internal audit, supervise the internal audit system of the Company and its implementation;

(X) to review the Company's financial and accounting policies and practices;

(XI) to review the external audit institution's management letter, any material queries raised by the audit institution to management about accounting records, financial accounts or systems of control and management's response;

(XII) to ensure that the Board of Directors will provide a timely response to the issues raised in the external audit institution's management letter;

(XIII) to review arrangements employees of the Company can use, in confidence, to 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; and to act as the key representative body for overseeing the Company's relations with the external audit institution;

(XIV) to review the annual internal audit plan of the Company, listen to the work report on internal control inspection and supervision and the self-assessment report on internal control system, review the annual work report of internal audit, provide guidance on the methods and procedures of internal audit, and facilitate the communication between the internal and external auditors;

(XV) to report to the Board of Directors on the matters provided in code provision D.3.3 of the Corporate Governance Code in Appendix to the SEHK Rules, and any decisions or recommendations of the Audit Committee, unless there are legal or regulatory restrictions on their ability to do so;

(XVI) to perform any other duties assigned by the Board of Directors or to consider other topics, as defined by the Board of Directors;

(XVII) other requirements stipulated in code provision of the Corporate Governance Code in Appendix to the SEHK Rules, or required by the Local Listing Rules, as amended from time to time.

**Article 8** The following matters shall be submitted to the Board of Directors for consideration with the consent of more than half of all members of the Audit Committee:

(I) disclosure of the financial information and internal control evaluation report in the financial accounting reports and regular reports;

(II) engagement or dismissal of the accounting firm which undertakes the Company's audit business;

(III) appointment or dismissal of the person in charge of finance of the Company;

(IV) changes in accounting policies and accounting estimates or correction of material accounting errors due to reasons other than changes in accounting standards;

(V) other matters stipulated by the laws, administrative regulations, the provisions of the CSRC and the Articles of Association of the Company.

**Article 9** The Office of the Board of Directors of the Company shall complete all preparation work of the Audit Committee with the relevant departments and provide the written materials on internal control, including but not limited to:

(I) the report of the operations management on the analysis, proposals and conclusion of internal control and confirmation on the effectiveness of internal control;

(II) work report of the internal audit department, including the analysis on the effectiveness and sufficiency of internal control;

(III) the report of the accounting department on the effectiveness of the financial reporting procedures, the report provided by the compliance department on compliance of the Company, the self-evaluation report on the internal control of the Company provided by the self-evaluation team of internal control.

**Article 10** The Audit Committee may establish a branch office. Personnel of such branch office may, subject to relevant approvals, attend relevant meetings of the Company as non-voting participants, call for relevant data and on this basis, issue independent supervisory reports regularly and submit the same to the Audit Committee, the Chairman of the Board of Directors and China Securities Regulatory Commission.

## **Chapter 4 Duties of the Chairman of the Audit Committee**

**Article 11** The chairman of the Audit Committee shall:

(I) convene and chair the meetings of the Audit Committee;

(II) supervise and inspect the implementation of the resolutions of the Audit Committee;

(III) perform other duties assigned by the Board of Directors and the Audit Committee.

## **Chapter 5 Procedures for Calling and Notifying of Meetings of the Audit Committee**

**Article 12** Meetings of the Audit Committee shall, in principle, be notified in writing to all of its members no less than three days before the date of the meeting and provide relevant materials and information, or, under special circumstances as approved by two thirds or more of all members, less than three days before the meeting, and/or notified in other ways.

**Article 13** The notice of the meeting of the Audit Committee shall include:

(I) the date and venue of the meeting;

(II) the duration of the meeting;

(III) the cause and topic;

(IV) the date of the notice.

The topic and notice of the meeting of the Audit Committee shall be prepared by the chairman of the committee, and sent to all members by the office of the Board of Directors.

## **Chapter 6 Deliberation and Voting Procedures of the Audit Committee**

**Article 14** In principle, meetings of the Audit Committee shall be held on site. Under the premise of ensuring that all participating members can fully communicate and express their opinions, the meetings may be held by video, telephone or other methods in accordance with the procedures if necessary.

**Article 15** No meeting of the Audit Committee may be held unless two thirds or more of the members of the committee are present. Each attendant shall cast one vote, by open ballot or in writing. Any resolution of the meeting must be adopted by two thirds or more of all members before such resolution can become effective. In the case of equal votes, the chairman of the Audit Committee shall have one additional or decisive vote.

**Article 16** The meeting of the Audit Committee shall be attended by members of the committee in person and not by proxy.

**Article 17** Where the chairman of the Audit Committee is unable or fails to perform his or her duties for any reason, another independent non-executive director of the committee shall perform those duties, or if there are more than two independent non-executive directors, the meeting shall be chaired by an independent non-executive director elected by a majority of the members.

**Article 18** According to the agenda of the meeting of the Audit Committee, or if necessary, the committee may invite any other person related to any agenda item under consideration to present relevant information or opinions, in which case such person shall not be absent from the meeting without cause or reason. Non-voting participants shall neither engage in the considerations of the meeting, nor shall they interfere with the process, voting or decision-making of the meeting.

**Article 19** In principle, the Audit Committee will not deliberate on any topic or matter that is not listed on the notice of the meeting. Under exceptional circumstances, deliberations and decisions on such new item or matter can only take place upon approval of two thirds or more of all members.

**Article 20** The Audit Committee shall meet with the external audit institution without presence of any operations management member at least once a year, in order to discuss any matters in relation to the audit cost, any matters arising out of the audit work and any other matters raised by the external audit institution.

**Article 21** The Audit Committee shall, at the invitation of the Chairman of the Board of Directors, send its chairman or, in his or her absence, another member of the committee or his or her authorized representative, to answer questions at the annual general meeting of shareholders.

## **Chapter 7 Resolutions and Minutes of the Meeting of the Audit Committee**

**Article 22** Voting results at the meeting of the Audit Committee shall be carried in a resolution and recorded in the minutes of the meeting. If the committee member is an independent non-executive director, his or her opinions shall be included in the minutes of the meeting. Such resolution and minutes of the meeting shall be signed by all members of the committee present. Copies of the resolution and minutes of the meeting shall be provided to all members for record purposes, and shall be kept as company files by the duly appointed secretary of the meeting for at least fifteen years as long as the Company continues to exist.

**Article 23** The resolution of the meeting of the Audit Committee shall include:

(I) the date, venue and the name of the convener of the meeting;

(II) the number of members who should be present and the number of members who are actually present;

(III) a statement on the legality and validity of the relevant procedures and resolutions of the meeting;

(IV) the content of the resolution deliberated and voted upon by the meeting, and the results of the voting;

(V) other matters that should be explained and recorded in the resolution.

**Article 24** Where the Audit Committee resolves on any resolution that requires further consideration by the Board of Directors, such resolution shall be timely submitted to the Board of Directors.

## **Chapter 8 Powers of the Audit Committee**

**Article 25** The Audit Committee may, within the scope of powers provided for in its terms of reference, investigate any act or action, for which purpose all employees must cooperate with the committee. The Board of Directors may, if applicable, authorize the Audit Committee to seek for legal advises or other independent professional opinions from external sources, and invite, if necessary, external experts with relevant experience to attend meetings of the Audit Committee.

**Article 26** Where the Audit Committee suspects any fraudulent behavior or incompliance, internal control failure, or any violation of laws and regulations, and determines that such act is of a serious nature, the committee shall report it to the Board of Directors.

**Article 27** Where the Board of Directors and the Audit Committee differ on the selection, appointment, dismissal or termination of the external audit institution, the Audit Committee may, in its corporate governance report in the annual report of the Company, incorporate a representation of its own opinions, together with explanations on what has caused it to hold different opinions with those of the Board of Directors.

## **Chapter 9 Miscellaneous**

**Article 28** Unless specified otherwise, all the terms herein shall have the same meanings as those in the Articles of Association.

**Article 29** Any matter not detailed herein, or any inconsistency herein with any laws, regulations and rules, the Local Listing Rules or the Articles of Association that are promulgated or amended after these Rules becomes effective, shall be implemented in accordance with the relevant laws, regulations and rules of the State, the Local Listing Rules or the Articles of Association.

**Article 30** Where these Rules need to be amended due to change of circumstances, the Audit Committee shall prepare a draft amendment and submit the same to the Board of Directors for consideration and approval.

**Article 31** These Rules and their amendments shall become effective upon the date of adoption by the Board of Directors.

**Article 32** These Rules shall be interpreted by the Board of Directors.

**Article 33** These Rules will be published on the website of the Company and the websites of the exchanges on which the shares of the Company are listed, pursuant to the Local Listing Rules.