



中州证券

Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)
(Stock Code: 01375)

Audit Committee of the Board

Terms of Reference

Chapter I General Provisions

Article 1 To improve the internal control system of Central China Securities Co., Ltd. (the “**Company**”), as well as to further perfect corporate governance structure, the board of directors of the Company (the “**Board**”) has set up audit committee (the “**Audit Committee**” or the “**Committee**”) and formulated these terms of reference in accordance with *Company Law of the People's Republic of China, Securities Law of The People's Republic of China, Regulation on the Supervision and Administration of Securities Companies, Corporate Governance Standards of Securities Companies, Measures for the Administration of Independent Directors of Listed Companies, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), A Guide for Effective Audit Committee of Hong Kong Institute of Certified Public Accountants and relevant laws, regulations and normative documents as well as the articles of association (the “**Articles of Association**”) of the Company.*

Article 2 The Audit Committee is a special committee set up under the Board, mainly responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal control, the Committee reports and is accountable to the Board.

Chapter II Composition

Article 3 The Audit Committee shall consist of at least three non-executive directors of the Company (the “**Directors**”), of which more than half shall be independent non-executive Directors, and there shall be at least one independent non-executive Director with proper professional qualification of accounting and financial management recognized by the Hong Kong Listing, with five years or above experience in accounting. The Audit Committee shall have a chairperson, who shall be an independent non-executive Director with professional accounting qualification under the Audit Committee and responsible for convening and presiding the meeting of the Committee.

Article 4 A former partner of the Company's current external audit firms which shall be prohibited from acting as a member of the Audit Committee for a period of two years starting from the date of the following (the later of which shall prevail):

(I) the former partner ceases to be a partner of such external accounting firm;

(II) the former partner ceases to have any financial interest in such external accounting firm.

Article 5 Members of the Audit Committee shall be nominated by the chairman of the Board and determined by the Board.

Article 6 The term of office of members of the Audit Committee is the same as the corresponding session of the Board; members of the Committee may serve consecutive terms if re-elected upon the expiration of his/her term. If any member ceases to be a Director of the Company or does not have the independency as required by the Articles of Association and the Hong Kong Listing Rules, he/she shall ipso facto and immediately lose the qualification as a member of the Committee. The vacancy shall be filled up by the Board in accordance with the above-mentioned articles 3 to 5. Members of the Audit Committee may resign, on a voluntary basis, before the expiration of their terms. To resign, a member must submit a written resignation application to the Board. If the resignation results in the number of members falling below the prescribed quorum, the resigning member shall continue to perform the relevant duties until a new member has been appointed to meet the required quorum.

Article 7 The duties of the administrative body of the Audit Committee shall be assumed by the internal auditing department.

Chapter III Duties and Authorities

Article 8 Members of the Audit Committee shall have the professional knowledge, management and other skills relevant to the duties of the Committee, which is mainly responsible for:

(I) supervising and evaluating the Company's internal auditing;

(II) making recommendation to the appointment, re-appointment or replacement of the external accounting firm; examining and supervising the independence and objectiveness of the external accounting firm as well as the effectiveness of auditing process in accordance with the applicable standards;

(III) giving opinions on the appointment or dismissal of the Company's financial officer;

(IV) being responsible for the communication between internal and external auditing;

(V) conducting auditing of the Company's financial information and relevant disclosure;

(VI) overseeing the Company's financial reporting system, risk management and internal control systems;

(VII) reviewing changes in accounting policies and accounting estimates or revision of major accounting errors due to reasons other than changes in accounting standards;

(VIII) other duties required by laws, administrative regulations and the China Securities Regulatory Commission, specified in the Articles of Association, and authorized by the Board.

Article 9 Specific duties and authorities of the Audit Committee are:

(I) examining the Company's accounting information and disclosure of major events, examining Company's major accounting policy and its implementation and execution, supervising the Company's major financial decision-making and implementation of the annual budget; supervising the truthfulness, accuracy and effectiveness of preparation of Company's financial report procedures; reviewing the integrity of the Company's financial statement and annual report and management accounts, interim report and quarterly report, and reviewing the major opinion related to financial reporting as disclosed in the statements and reports;

Before submitting relevant statements and reports to the Board, the Committee shall review the following matters in particular:

1. any changes in accounting policy and practice;
2. any matter in relation to significant judgment;
3. significant adjustment caused by auditing;
4. assumption of corporate continuous operation and any reserved opinion;
5. compliance with the accounting standard;
6. compliance with the Hong Kong Listing Rules as well as laws and regulations related to financial reporting;

The Committee shall liaise with the Board and management regarding the above matters. The Committee shall meet at least twice a year with the external accounting firm. The Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and shall give due consideration to matters that have been raised by the staff of the Company responsible for financial reporting and internal audit function or external audit firm;

(II) monitoring the annual audit and make judgment on the truthfulness, accuracy and integrity of the audited information contained in the financial reports, and submit to the Board for review;

(III) overseeing the Company's financial reporting system, risk management and internal control systems, including:

1. to supervise and evaluate the Company's financial controls;
2. to review internal control evaluation reports;
3. to review and evaluate the implementation of risk management and internal control rules and systems by the departments and branch offices of the Company. The evaluation results will be important reference and basis for annual performance assessment;
4. to discuss the risk management and internal control systems with the management to ensure that management has performed its duty to have effective systems in place. The discussion shall include the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget in accounting and financial reporting of the Company;
5. to study the important investigation results of risk management and internal control issues and feedback of management on the investigation results proactively or under the delegation of the Board;
6. to review the financial and accounting policies and practices of the Company and its subsidiaries;
7. to consider the audit report or evaluation report on significant connected transactions or related party transactions of the Company;
8. to review the audit notes issued by external audit firm to the management and any material enquiry raised by the auditor to the management on accounting records, financial accounts or monitoring system and feedback from the management;

9. to ensure prompt reply by the Board to the issues raised in the audit notes of the external audit firm to the management;
10. to review and execute matters stipulate in the Corporate Governance Codes, Appendix 14 of the Hong Kong Listing Rules, and report to the Board;
11. to evaluate the system established for employees to whistleblowing any irregularities in financial reporting, risk management, internal control and other aspects of the Company. The committee shall ensure appropriate arrangements are in place to carry out fair and independent investigations and appropriate actions.

(IV) coordinating with internal audit department and external audit firm, ensuring the internal audit department has sufficient resources and proper status in the Company; discussing on working plan of internal auditing department, listening to the work report of internal auditing department, inspecting and supervising the effectiveness of internal audit;

(V) making recommendations to the Board on the appointment, reappointment and removal of external audit firm, approving the remuneration and terms of appointment of the external audit firm, and dealing with any relevant issues regarding to the resignation or removal of the external audit firm, including:

1. formulating policies, procedures and related internal control systems for the selection of accounting firms in accordance with the authorization of the Board;
2. proposing to start work related to the selection of accounting firms;
3. reviewing selection documents, determining evaluation elements and specific scoring criteria, and supervising the selection process;
4. putting forward suggestions on the selection of accounting firms and audit fees, and submitting them to the decision-making body for decision;
5. supervising and evaluating the audit work of accounting firms;
6. submitting an evaluation report on the performance of the accounting firm engaged and a report on the performance of the Audit Committee's supervisory responsibilities to the Board on a regular basis (at least annually);
7. being responsible for laws, regulations, the Articles of Association and other matters authorized by the Board regarding the selection of accounting firms.

(VI) supervising the performance of the external audit firm, and inspecting and supervising the independency and objectiveness of the external audit firm with applicable standards; reviewing the evaluation report on the accounting firm's performance of duties and make recommendations, and formulating a report on the performance of the Audit Committee's supervisory responsibilities over the accounting firm. The Committee shall discuss on the nature and scope of audit as well as the reporting responsibilities with the auditor before the auditing work commence;

(VII) implementing the policy on engaging external audit firm to provide non-audit services. The external audit firm includes any entity that is under the same control, ownership or management with the audit firm responsible for the Company's auditing work, or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm which responsible for the Company's auditing work nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(VIII) supervising the implementation of the rectifying measures by the management in response to the audit opinion and to monitor the implementation of the audit opinion by the management;

(IX) leading the internal audit department in collection, summarization and investigation of data related to the responsibility of material mistakes in the disclosure of the annual reports and to investigate and provide solutions proposals for implementation after the Board's review and approval;

(X) other matters as authorized by the Board.

The Committee may make proposals to the Board within the scope of the above duties.

Chapter IV Convening of Meeting and Notification Procedures

Article 10 Meetings of the Audit Committee are divided into regular meetings and extraordinary meetings. Regular meeting shall be held at least once every quarter, and extraordinary meetings can be proposed by two or more members or convened by the chairperson as needed. In principle, all members should be notified in writing three days prior to the meeting. Under special circumstances, the notice period for a meeting may be less than three days, or other methods may be used to notify all members if more than half of the members of the Audit Committee have no objections.

Article 11 Meetings of the Audit Committee can be convened in the forms of physical meetings and correspondence meetings. In principle, meetings are mainly convened in the form of physical meetings. On the premise of ensuring that all participating Committee members can fully communicate and express their opinions, meetings can be held via video calls, telephone calls or by other means, if necessary, in accordance with the procedures. When a meeting is convened in the form of a correspondence meeting, members of the Audit Committee shall be deemed to have attended the relevant meeting and agreed with the content of the resolution by signing the resolution at the meeting.

Article 12 The notice of meeting of the Audit Committee should at least include the following contents:

- (I) the form, time and location of the meeting to be convened;
- (II) the duration of the meeting;
- (III) the agenda of the meeting and the relevant meeting materials;
- (IV) the date of the notice of the meeting.

Chapter V Consideration and Voting Procedures

Article 13 Meeting of the Audit Committee shall be convened and chaired by the chairperson. If the chairperson cannot attend the meeting, he/she may entrust another member (whom shall be an independent non-executive Director with professional accounting qualification) to convene and chair the meeting.

Article 14 At least two-thirds (2/3) of the members (including members who entrust other members to attend the meeting in written form) shall attend the meeting of the Audit Committee to form the quorum of the meeting; voting shall be conducted by poll, and each member has one vote; resolutions proposed at the meetings shall be passed by more than half of all members; attending members must sign the meeting resolutions. Members of the Audit Committee must clearly express their affirmative or dissenting opinions. Abstention is not allowed. Any member of the Audit Committee who is absent from the meeting twice successively without justified reasons, shall be considered as unable to perform his/her duty, and the Board may remove his/her position as a member.

Article 15 In principle, the Audit Committee does not consider the issues or matters not listed in the notice of meeting. Under special circumstances when new issues or matters need to be added, more than two-thirds (2/3) of the members shall agree to review and decide on the issues or matters that are temporarily added.

Article 16 The Audit Committee may invite non-committee directors, supervisors, senior managers of the Company, and principals of relevant departments to attend the meeting.

Article 17 If a member of the Audit Committee is interested in any matter being considered by the Committee, such member shall abstain from voting. If after such abstention from voting the members present cannot form a quorum as required, such resolution shall be submitted to the Board for consideration.

Article 18 Proposals passed and voting results of the meeting of the Audit Committee shall be submitted in writing to the Board.

Article 19 Convening procedures, voting modes, of, and proposals passed by, the meeting of the Audit Committee must comply with relevant laws and regulations, the Articles of Association and the provisions of these terms of reference.

Article 20 The Audit Committee shall keep meeting minutes. The draft of the meeting minutes and final minutes shall be delivered to the members within reasonable period of time if the meeting minutes cannot be ready at the end of meeting for members' signature. The meeting minutes are for members' comments and the final minutes are for record. Members present at the meeting shall sign the meeting minutes. Members present at such meeting are entitled to request to add explanatory descriptions in relation to their statements made at the meeting to the minutes; the minutes of the meeting shall be kept by the Company as company documents for a period of no less than ten years.

Article 21 The roles, functions and compositions of the Audit Committee, the number of meetings of the Audit Committee convened each year and the attendance record, the annual work summary, the report on its performance and other information shall be disclosed in the corporate governance report of the annual report of the Company.

Article 22 Members present at the meeting shall undertake the confidentiality obligation for all items discussed at the meeting, and shall not disclose relevant information.

Chapter VI Performance Requirements and Guarantees

Article 23 Performance requirements for members of the Audit Committee:

(I) Invest sufficient time and effort to perform duties. Except for force majeure and other factors, members of the Audit Committee shall work on-site for no less than 15 working days each year.

(II) Perform duties with care. Members of the Audit Committee shall, on the basis of full understanding and information, make judgments and express their definite opinions on decision-making and deliberation matters in an independent, objective and prudent manner.

(III) Submit work reports. The Audit Committee shall submit an annual work report to the Board within three months from the end of each financial year.

(IV) Strengthen surveys and research on work and provide professional opinions and suggestions. Members of the Audit Committee should take the initiative to study domestic and foreign industry trends and relevant national policies, summarize advanced experience, participate in surveys and research on the Company's major work matters no less than four times a year to understand the relevant situations. They shall participate in discussion on matters such as the financial information of the Company and its disclosure, internal and external audit and internal control, and provide professional opinions and suggestions.

(V) Other performance requirements required by other laws and regulations, departmental regulations, normative documents and the competent regulatory bodies.

Article 24 The Company should provide supports and guarantees for the members of the Audit Committee to perform their duties, which mainly include:

(I) The management and various departments should strengthen communication with the members of the Audit Committee, report relevant work status in a timely manner, provide documents and materials, provide explanations, answer questions, and listen to the professional opinions and suggestions of the members.

(II) The Company should provide necessary protection for relevant travelling, food and accommodation expenses incurred by the Audit Committee.

(III) If necessary, the Audit Committee can hire an intermediary to provide professional advice for its decision-making, and the relevant fees will be borne by the Company.

(IV) The Audit Committee should organize members to participate in performance training and communication activities related to their responsibilities, and provide reference materials that will help members perform their duties.

Chapter VII Supplementary Provisions

Article 25 In the event that any matters are covered by these terms of reference or any terms of reference being inconsistent with the relevant laws and regulations, departmental regulations, normative documents and the Articles of Associations, such laws, regulations and rules shall prevail.

Article 26 These terms of reference shall become effective upon the approval by the Board. The original Terms of Reference of the Audit Committee of the Board shall lapse automatically from the effective date of these terms of reference.

Article 27 Both “above” and “below” referred to by the terms of reference include the given figure; “less than” and “more than” shall exclude the given figure.

Article 28 When these terms of reference are required to be revised based on changes in actual conditions, the Audit Committee will propose and submit a revised draft to the Board for approval.

Note: If there is any inconsistency between the English and Chinese versions of these terms of reference, the Chinese version shall prevail.