



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

China Merchants Securities Co., Ltd.
Terms of Reference of the Audit Committee under the Board of Directors

December 29, 2023

CHAPTER 1 GENERAL PROVISIONS

Clause 1 To perfect the corporate governance structure, optimize internal control system, facilitate corporate regulation, stability and sustainable development, strengthen decision-making of the board of directors and ensure the effective supervision of the board of directors over the operation management of China Merchants Securities Co., Ltd. (the “**Company**”), the Company has established the Audit Committee under the board of directors (the “**Audit Committee**”) and formulates these rules in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, the Measures for the Administration of Selection and Engagement of Accountants’ Firms by State-owned Enterprises and Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), the Articles of Association of China Merchants Securities Co., Ltd. (the “**Articles of Association**”) and other relevant requirements.

Clause 2 The Audit Committee is a working organization established by the board of directors. Being responsible to the board of directors, it is mainly responsible for coordinating the communication, supervision, evaluation, guidance and assessment of internal and external audit, providing advice on the selection of external auditors, reviewing the financial information of the Company and its disclosure, and facilitating the establishment of an effective internal control system of the Company.

Clause 3 The Company shall provide necessary working conditions for the Audit Committee to perform its duties. The secretary to the board of directors and the office, audit department, finance department and other relevant departments of the Company are responsible for the daily works of the Audit Committee, including liaison, organization of committee meetings, preparation of materials, file management and follow-up action and implementation of the resolutions of meetings, in accordance with their functions. When the Audit Committee performs its duties, the operation management and relevant departments of the Company shall cooperate with it.

The Audit Committee may engage an intermediary or external professional to provide professional advice. The related cost incurred by the Audit Committee when performing its duty shall be borne by the Company.

The Company shall ensure the smooth flow of information between members of the Audit Committee and other directors, senior management and other relevant personnel, and ensure that members of the Audit Committee could obtain sufficient resources and necessary professional advice when performing their duties.

CHAPTER 2 COMPOSITION

Clause 4 The Audit Committee shall comprise five non-executive directors, and the majority of whom shall be independent directors. The members of the Audit Committee shall be elected by the majority of members of the board of directors. At least one independent director shall be an accounting professional engaged in accounting for more than five (5) years. Members of the Audit Committee should possess the qualifications required by laws, regulations, regulatory provisions and self-disciplinary rules of the places where the shares of the Company are listed and the Articles of Association, as well as the professional knowledge and work experience necessary for their performance of duties.

In principle, members of the Audit Committee shall be independent from the daily operations and management of the Company. Members of the Audit Committee shall be diligent and responsible, effectively supervise and evaluate the internal and external audits of the Company, facilitate the Company in establishing effective internal control, and provide financial reports that are true, accurate and complete.

Clause 5 The Audit Committee shall have one convener (chairman) who shall be an independent director (being an accounting professional) elected from the members of the Audit Committee and responsible for presiding over the operation of the Audit Committee.

Clause 6 The term of office of the Audit Committee shall coincide with that of the board of directors. Members of the committee may serve consecutive terms if re-elected upon the expiration of their terms of office. If any member ceases to be a director of the Company, he/she shall automatically be disqualified as a member. The board of directors shall fill the vacancy in accordance with clauses 4 to 5 above.

CHAPTER 3 DUTIES

Clause 7 The main duties of the Audit Committee include:

- (I) to supervise and assess the performance of the external auditors, and propose the engagement or replacement of the external auditors;
- (II) to supervise and assess internal auditing;
- (III) to coordinate the communication among the operation management, the internal audit department, relevant departments and the external auditors, and to perform the role as a major representative of the Company to liaise with the external auditors and supervise their relationship;
- (IV) to supervise and assess the internal control of the Company;
- (V) to oversee the financial reporting system of the Company, review the financial information of the Company and its disclosure, supervise annual audits, make judgments on the authenticity, accuracy and completeness of the audited financial information and submit the same to the board of directors for consideration;
- (VI) to ensure and review the arrangements of the Company which enable its employees and those who deal with the Company (e.g. customers and suppliers) to raise concern, on a confidential and anonymous basis, over any possible improprieties in financial reporting, internal control or other aspects of the Company. The Audit Committee shall ensure that proper arrangements are made for the Company to conduct fair and independent investigation on such matters and take appropriate actions;
- (VII) to propose to the board of directors the appointment or dismissal of the chief financial officer of the Company;
- (VIII) to review changes in accounting policies and accounting estimates or corrections of major accounting errors due to reasons other than changes in accounting standards, and submit to the board of directors for consideration;
- (IX) to study other topics and matters delegated by the board of directors;
- (X) to perform other duties required by laws, regulations, regulatory provisions and self-disciplinary rules of the places where the shares of the Company are listed and the Articles of Association.

The Audit Committee shall report to the board of directors, if thought fit, the measures that must be taken or the improvements that must be made, and put forward relevant advice.

Clause 8 The duties of the Audit Committee to select, engage, monitor and evaluate the performance of external auditors shall mainly include the following:

- (I) to formulate policies, procedures and relevant internal control systems for the selection and engagement of external auditors in accordance with the authorization of the board of directors;
- (II) to make recommendations to the board of directors on the appointment, reappointment, dismissal or change of the external auditors; to consider the selection documents, supervise the selection process, review the remuneration and terms of engagement of the external auditors, and be free from undue influence from the substantial shareholders, de facto controllers or directors, supervisors and senior management of the Company; and to deal with any issues concerning resignation or dismissal of the external auditors;
- (III) to discuss and communicate with the external auditors about the audit nature, audit scope, audit plan and audit practice before the external auditors commence the audit as well as significant matters found during auditing and their reporting obligations;
- (IV) to evaluate, review and monitor the independence, objectivity and competence of the external auditors and the effectiveness of the audit procedures;
- (V) to develop and implement policies on engaging external auditors to provide non-audit services. For this purpose, external auditors include any entity which is under common control, ownership or management with the audit firm or any entity which a reasonably informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;
- (VI) to urge external auditors to be honest and diligent, strictly abide by business rules and self-disciplinary norms of the industry, stringently implement internal control systems, verify the financial reports of the Company, perform special attention obligations, and prudently express professional opinions;
- (VII) to submit to the board of directors every year an evaluation report on the performance of external auditors and a report on the performance of supervision responsibilities by the Audit Committee;

(VIII) to maintain a high degree of caution and attention to the following circumstances: 1. change of accountants' firm during the period from the balance sheet date to the date of issuance of annual report, change of accountants' firm for two consecutive years, or multiple changes of accountants' firm in the same year; 2. the accountants' firm to be engaged being subject to multiple administrative penalties due to quality of practice in the past three (3) years, or being under investigation for multiple audit projects; 3. the original audit team to be engaged being transferred to another accountants' firm; 4. a significant change in audit fees during the engagement period as compared to the previous year, or the transaction price of the engagement being significantly lower than the benchmark price; and 5. failure of the accountants' firm to substantially rotate partners and signing certified public accountants of audit projects as required.

Clause 9 The duties of the Audit Committee to supervise and evaluate the work of internal audit shall mainly include the following:

- (I) to continuously supervise and review the internal control system of the Company and review the effectiveness of the internal control system of the Company and its subsidiaries (within the meaning of the Hong Kong Listing Rules) at least once a year. The Audit Committee shall also discuss the internal control system with the operation management to ensure that the operation management has performed its duty to have an effective internal control system. This discussion shall specifically include the adequacy of resources, staff qualifications and experience, staff training programs and the respective budgets with regard to the accounting and financial reporting functions of the Company;
- (II) to conduct researches on major investigation findings on internal control matters and operation management's response to these findings on its own initiative or as delegated by the board of directors;
- (III) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (IV) to guide and supervise the establishment and implementation of the internal audit system, and to review important internal audit systems;
- (V) to review the internal mid-to-long term audit planning, the annual internal audit plan and the internal audit work reports of the Company;

- (VI) to supervise the implementation of the internal audit plan of the Company, evaluate the results of internal audit, supervise the rectification of material matters, assess and evaluate the internal auditing work and make recommendation in relation thereto;
- (VII) to guide, review and supervise the effective operation of the internal audit department. The internal audit department of the Company shall report its work to the Audit Committee. The internal audit department shall submit various audit reports, rectification plans for audit issues and progress of rectification to the operation management, and shall submit the same to the Audit Committee at the same time;
- (VIII) to urge the internal audit department to, at least once every six months, review the implementation of major events such as use of proceeds, provision of guarantees, related party (connected) transactions, provision of financial assistance, acquisition or disposal of assets and external investment of the Company, and inspect matters such as large-amount capital transactions of the Company and capital transactions of directors, supervisors, senior management, controlling shareholders or de facto controllers and their associates (connected persons), and issue an inspection report to the Audit Committee. The Audit Committee shall issue written evaluation opinions on the effectiveness of internal control of the Company based on the internal audit report and relevant materials submitted by the internal audit department, and report the same to the board of directors;
- (IX) to report to the board of directors the progress and quality of internal audit work and any major issues found;
- (X) to coordinate the relationship between the internal audit department and external auditors such as accountants' firms and national audit institutions.

Clause 10 The duties of the Audit Committee to oversee the financial reporting system of the Company and review the financial information of the Company and its disclosure shall mainly include the following:

- (I) to review the financial control and accounting policies and practices of the Company;
- (II) to inspect the external auditors' management letter (審核情況說明函件) issued by the external auditors to the operation management, any material queries about accounting records, financial accounts or control system made to the operation management by the external auditors and the operation management's responses;

- (III) to ensure that the board of directors will provide a response to any issues raised in the external auditors' management letter (審核情況說明函件) issued by the external auditors to the operation management in a timely manner;
- (IV) to supervise the completeness of the financial statements, annual reports and accounts, interim reports and quarterly reports of the Company, review the financial reports and the material opinions on financial reporting contained therein, and give opinions as to the truthfulness, completeness and accuracy of the financial reports;
- (V) prior to the submission of the relevant statements and reports to the board of directors, the Audit Committee shall specifically review the following issues: any changes in accounting policies and practices; matters involving major judgments; significant adjustments resulting from audit; the going concern assumptions and any qualified opinions; compliance with accounting standards; and compliance with laws, regulations, regulatory provisions and self-disciplinary rules in relation to financial reporting in the places where the shares of the Company are listed. The Audit Committee shall focus on material accounting and auditing issues, with particular attention to the possibility of fraud, corrupt practices and material misstatement in relation to the financial reports and supervise the rectification of problems in financial reports. The Audit Committee shall consider any significant or unusual items that shall be, or may need to be, reflected in such reports and accounts, and shall give due consideration to any matters that have been raised by the employees responsible for the accounting and financial reporting function, compliance officer or external auditors;
- (VI) as to Items (IV) and (V) of this Clause, the members of the Audit Committee shall maintain contact with the board of directors and senior management, and convene at least two separate meetings with the external audit firm every year, where the secretary to the board of directors is allowed to attend the meetings;
- (VII) to urge the relevant responsible departments of the Company to formulate rectification measures and rectification schedule, conduct follow-up reviews, supervise the implementation of rectification measures, and disclose the progress of rectifications if there exist false records and misleading statements or material omissions in the financial reports in a timely manner.

Clause 11 The duties of the Audit Committee to supervise and assess the internal control of the Company shall mainly include the following:

- (I) to assess the appropriateness of the internal control system of the Company;
- (II) to evaluate the establishment and implementation of the Company's internal control, issue the evaluation report on internal control, and submit to the board of directors for consideration;
- (III) to review internal control audit reports issued by the external auditors, and communicate with the external auditors on the issues discovered and the improvement measures;
- (IV) to assess the results of internal control evaluation and audit, and supervise the rectification of internal control deficiencies;
- (V) to coordinate the internal control audit and other related matters.

Clause 12 The duties of the Audit Committee to coordinate communication between the operation management, internal audit department and relevant departments and the external auditors shall mainly include the following:

- (I) to coordinate communication between the operation management and external auditors in respect of material audit issues;
- (II) to coordinate communication between the internal audit department and external auditors and provide support to the external audits.

CHAPTER 4 RULES OF MEETINGS

Clause 13 The meetings of the Audit Committee shall consist of regular meetings and interim meetings. Regular meeting shall be convened once a quarter. An interim meeting shall be convened when it is requested by two or more members of the Audit Committee or when the chairman of the Audit Committee deems it necessary.

The meeting shall be convened and presided over by the chairman, or, where the chairman is unable to perform his/her duties, he/she may appoint another member who shall be an independent director to perform the duties on his/her behalf.

Clause 14 All members shall be notified at least three (3) days prior to the convening of the meeting and shall be provided with relevant materials and information in principle. If it is necessary for the Company to convene an extraordinary Audit Committee meeting as soon as possible due to urgent circumstances, it shall explain to the members that the time requirement for notification may be waived with the consent of more than two-thirds of the members.

Clause 15 The quorum of a meeting of the Audit Committee shall be no less than two-thirds of its members. Each member shall have one vote. A resolution adopted at the meeting shall be passed by more than half of the members. A member of the Audit Committee shall be absent from the meeting in the event that he/she is interested in the matters to be discussed at the meeting. The issues shall be reviewed directly by the board of directors when the Audit Committee is unable to give effective review opinions due to the absence of its member(s).

Clause 16 Meetings of the Audit Committee shall be primarily held on-site. As long as all directors present at the meeting can fully communicate and express their opinions, the meeting may be held by way of video, telephone or by other means in accordance with the procedures when necessary.

Clause 17 The members of the Audit Committee shall attend meetings in person and give definite opinions on the matters to be discussed. 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 power of attorney shall clearly state:

- (I) the names of the appointor and the proxy;
- (II) a brief opinion of the appointor regarding each of the resolutions;
- (III) the scope and period of authorization given by the appointer and instructions on the intention to vote on the resolution(s); and
- (IV) the signature of the appointor and the date, etc.

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.

Clause 18 Directors, supervisors and other senior management of the Company as well as representative(s) of external auditors, financial personnel, legal advisor and other relevant personnel may be invited to attend meetings of the Audit Committee and provide necessary information as deemed necessary by the Audit Committee.

Clause 19 Minutes of Audit Committee meetings, which shall be true, accurate and complete and fully reflect the opinions of attendees on matters being considered, shall be prepared. The members, secretary to the board of directors, record-keeper and other relevant personnel present at the meeting shall sign the minutes of meetings for confirmation.

Clause 20 The convening, voting and passing of resolutions of the meeting of the Audit Committee shall comply with the applicable laws, regulations, regulatory provisions, self-disciplinary rules, the Articles of Association and these rules.

Clause 21 The resolutions passed and the results of voting at the meeting of the Audit Committee shall be reported in writing to the board of directors of the Company.

Clause 22 Members present at the meeting shall keep confidential all matters considered at the meeting and shall not disclose the same without authorization.

Clause 23 Archives of Audit Committee meetings include notice of meeting, meeting materials, powers of attorney, audio record of meeting, minutes signed by the attending members for confirmation, etc., which shall be kept by the secretary to the board of directors according to the law for a period of at least ten (10) years.

CHAPTER 5 INFORMATION DISCLOSURE

Clause 24 The Company shall also disclose the work of the Audit Committee during the year when publishing its annual report in accordance with the relevant requirements of the places where the shares of the Company are listed, primarily including the performance of duties of the Audit Committee and the convening of meetings by the Audit Committee.

Clause 25 In case of discovery of material matters with implications of the information disclosure standards under the listing rules in the places where the Company is listed during the discharge of duties by the Audit Committee, the Company shall disclose such matters and the rectifications thereof in a timely manner.

Clause 26 If the Audit Committee submits its review opinions to the board of directors of the Company within the scope of its duties and those opinions are not taken by the board of directors, the Company shall disclose this matter and provide adequate reasons for taking a different view.

Clause 27 The Company shall disclose the specific opinions made by the Audit Committee on the material issues of the Company in accordance with the laws, regulations, regulatory provisions and self-disciplinary rules of the places where the shares of the Company are listed and the Articles of Association.

Clause 28 The abovementioned information disclosure shall be made by the office.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Clause 29 Any matters not covered herein shall be governed by the relevant laws, regulations, regulatory provisions, self-disciplinary rules and the Articles of Association. The relevant laws, regulations, regulatory provisions, self-disciplinary rules and the Articles of Association shall prevail if they are in conflict with these rules in terms of mandatory provisions.

Clause 30 The interpretation and amendment of these rules shall be vested in the board of directors of the Company.

Clause 31 These rules shall become effective upon consideration and approval by the board of directors. From the effective date of these rules, the original Terms of Reference of the Audit Committee under the Board of Directors of China Merchants Securities Co., Ltd. that were considered and approved at the forty-fourth meeting of the fifth session of the board of directors of the Company held on November 24, 2016 shall be abolished accordingly.