

Nanhua Futures Co., Ltd.

Rules of Procedures for the Audit Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the Board of Directors (the “Board”) of Nanhua Futures Co., Ltd. (the “Company”), achieve effective supervision over the Company’s financial revenue and expenditure and various business activities, and improve the corporate governance structure, the Board has established the Audit Committee and formulated these Rules of Procedure in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Measures for the Administration of Independent Directors of Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association of Nanhua Futures Co., Ltd. (the “Articles of Association”) and other relevant regulations.

Article 2 The Audit Committee of the Board is a specialized body established under the Board, which exercises the functions and powers of the supervisory committee as stipulated in the Company Law, and is responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating internal and external audit work and internal control.

Article 3 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 devote sufficient time and effort to discharge the duties of the Committee, act diligently and conscientiously, effectively supervise and evaluate the Company’s internal and external audit work, guide the Company’s internal audit work, promote the establishment of effective internal control by the Company and ensure the provision of true, accurate and complete financial reports. Members of the Audit Committee shall possess the professional knowledge and experience necessary to discharge the duties of the Audit Committee.

Article 4 The provisions of the Company Law, the Administrative Measures for Independent Directors of Listed Companies, the securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association regarding the appointment, administration and code of conduct of directors shall apply to members of the Audit Committee.

Chapter 2 Personnel Composition

Article 5 The Audit Committee shall comprise three directors who do not hold senior management positions in the Company, the majority of whom shall be independent directors. Employee representative directors on the Board may serve as members of the Audit Committee.

Members of the Committee shall possess professional knowledge and business experience in finance, law or other relevant areas commensurate with their responsibilities, and at least one member shall possess appropriate professional qualifications or accounting or related financial management expertise, meeting the qualification requirements for financial experts on audit committees under the securities regulatory rules of the place where the Company's shares are listed.

The convener of the Audit Committee shall be an Independent Director with accounting professional qualifications.

Article 6 Members of the Audit Committee shall be nominated by the Chairman of the Board, more than one-half of the independent directors or more than one-third of the directors, and elected by the Board.

A former partner of the external auditor responsible for the auditing of the Company's accounts shall be prohibited from acting as a member of the Committee within two years commencing on the later of the following dates:

- (1) the date on which he/she ceased to be a partner of the external auditor;
- (2) the date on which he/she ceased to have any financial interest in the external auditor.

Article 7 The Audit Committee shall have a convener who shall be an Independent Director with accounting professional qualifications.

Article 8 The convener of the Audit Committee shall be responsible for presiding over the meetings of the Audit Committee. In the event that the convener is unable or fails to perform his/her duties, a member of the Audit Committee elected by more than half of the members of the Audit Committee shall preside over the meeting.

Article 9 The term of office of members of the Audit Committee shall be the same as that of directors on the same session of the Board. Upon expiry of the term, members may be re-elected. Prior to the expiry of the term, the Company may remove a member in accordance with the prescribed procedures. If a member of the Audit Committee ceases to be a Director of the Company during his/her term of office, he/she shall automatically cease to be a member of the Audit Committee.

Article 10 Where the number of members of the Audit Committee is reduced due to resignation, removal or other reasons, the Board shall appoint new members as soon as practicable.

Article 11 The internal audit institution shall be accountable to the Board.

During the supervision and inspection of the Company's business activities, risk management, internal control, and financial information, the internal audit institution shall be subject to the oversight and guidance of the Audit Committee. If the internal audit institution identifies any significant issues or leads, it shall immediately report directly to the Audit Committee.

Chapter 3 Duties and Powers

Article 12 The primary duties and authorities of the Audit Committee are:

- (1) to supervise and evaluate the work of the external auditor and to propose the appointment or replacement of the external auditor;
- (2) to supervise and evaluate internal audit work and be responsible for coordinating internal and external audit work;
- (3) to review the Company's financial information and its disclosure;
- (4) to supervise and evaluate the Company's internal control;
- (5) to exercise the functions and powers of the supervisory committee as stipulated in the Company Law;
- (6) to be responsible for other matters as stipulated by laws and regulations, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association and as authorized by the Board.

Article 13 The Audit Committee is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls. The following matters may only be submitted to the Board for consideration after having been approved by more than half of all members of the Audit Committee:

- (1) disclosure of financial accounting reports and financial information in periodic reports, and internal control evaluation reports;
- (2) engagement or dismissal of accounting firms undertaking the Company's audit work;
- (3) appointment or dismissal of the Company's chief financial officer;
- (4) changes in accounting policies or accounting estimates or material corrections of accounting errors for reasons other than changes in accounting standards;
- (5) other matters as provided by laws, administrative regulations, the China Securities Regulatory Commission, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

Article 14 The duties of the Committee for supervising and evaluating the work of the external auditor include the following:

- (1) to evaluate and supervise the independence, objectivity and professional competence of the external auditor and the effectiveness of the audit process in accordance with applicable standards, in particular the impact of non-audit services provided by the external auditor on its independence. The Committee shall discuss with the external auditor the nature and scope of the audit and the reporting obligations before the audit work commences;
- (2) to formulate and implement policies on the provision of non-audit services by the external auditor. For the purposes of this provision, "external auditor" includes any entity that is under common control, ownership or management with the entity responsible for auditing the Company, or any entity that a reasonably informed third party having knowledge of all relevant information would reasonably conclude is part of the local or international practice of the entity responsible for the audit. The Committee shall report to the Board and make recommendations on any matters where action or improvement is required;

(3) to make recommendations to the Board on the appointment, reappointment or removal of the external auditor; any proposal to appoint, reappoint or remove the external auditor may only be submitted to the Board for consideration after the Audit Committee has formed an opinion and made a recommendation to the Board;

(4) to review the audit fees and terms of engagement of the external auditor and to handle any issues relating to the resignation or dismissal of the external auditor;

(5) to discuss and communicate with the external auditor on the audit scope, audit plan, audit method, and material matters identified in the audit process;

(6) to supervise and evaluate whether the external auditor acts with integrity and diligence.

The Committee shall hold a separate communication meeting with the external auditor at least once a year without the presence of management. The Board Secretary may attend such meetings.

The Audit Committee shall not be unduly influenced by substantial shareholders, de facto controllers, or the directors, Supervisors and senior management of the Company in performing its corresponding duties pursuant to subparagraphs (3) and (4) of this Article.

Article 15 The duties of the Committee for supervising and evaluating the work of internal audit include the following:

(1) to direct and supervise the establishment and implementation of the internal audit system;

(2) to review the Company's annual internal audit work plan;

(3) to supervise the implementation of the Company's internal audit plan;

(4) to ensure that the internal audit function has adequate resources to operate within the Company and has an appropriate standing within management;

(5) to direct the effective operation of the internal audit department. The Company's internal audit department shall report to the Committee. All audit reports, rectification plans for audit issues and rectification progress submitted by the internal audit department to management shall be submitted to the Committee simultaneously;

(6) to report to the Board on the progress and quality of internal audit work and significant issues identified;

(7) to coordinate the relationship between the internal audit department and external auditor such as accounting firms.

Article 16 The duties of the Committee on reviewing the financial reports of the Company and expressing opinions thereon include the following:

(1) to review and supervise the Company's financial reports, and review significant opinions concerning the financial statements contained in the financial reports, and provide opinions on the truthfulness, completeness and accuracy of the financial reports;

(2) to focus on significant accounting and auditing matters in the Company's financial reports and to conduct focused reviews of matters requiring special attention when submitting the relevant financial reports to the Board, including material adjustments to accounting errors; changes in accounting policies, accounting practices and estimates; matters involving significant accounting judgments; material adjustments arising from audits; the going concern assumption and any qualified opinions; matters giving rise to audit opinions other than an unqualified opinion; compliance with accounting standards; compliance with financial reporting requirements of securities regulators and stock exchanges and other legal requirements;

(3) to pay particular attention to the possibility of fraud, misconduct and material misstatements in relation to financial reports;

(4) to supervise the rectification of issues relating to financial reports.

Members of the Committee shall liaise and communicate with the Board and senior management of the Company in respect of this work. The Committee shall meet with the Company's external auditor at least twice a year. The Committee shall consider any significant or unusual matters reflected or to be reflected in the financial reports and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance department or auditor.

Article 17 The Committee's duties in supervising and evaluating the Company's financial reporting system and internal control system shall include at least the following:

(1) to review the Company's financial reporting system and internal control system;

(2) to discuss the internal control system with the Company's management to ensure that the management has discharged its duty to establish an effective internal control system. The discussion should cover whether the Company's resources, staff qualifications and experience in respect of accounting and financial reporting functions are adequate, and whether the training programs and related budget provided to staff are sufficient;

(3) to consider, on its own initiative or at the appointment of the Board, significant findings of internal control investigations and management's response thereto;

(4) to review and supervise the effectiveness of the internal audit function;

(5) to review the financial and accounting policies and practices of the Company;

(6) to review the external auditors' statement to the management, any material queries raised by the auditors to the management in respect of the accounting records, financial accounts or system of control and management's response thereto;

(7) to ensure that the Board provides a timely response to matters raised in external auditors' statement to the management;

(8) to report to the Board on the above matters and other matters as required by the rules of the stock exchanges;

(9) to evaluate the appropriateness of the design of the Company's internal control system;

(10) to review the self-evaluation report on internal control;

(11) to review internal control audit reports issued by the external auditor and communicate with the external auditor regarding issues identified and methods of improvement;

(12) to ensure that the Company has appropriate arrangements in place for employees of the Company to raise concerns, in confidence and anonymously, about possible improprieties in financial reporting, internal control or other matters, and to enable the Company to conduct fair and independent investigations into such matters and take appropriate follow-up action, and to supervise and review such arrangements;

(13) to assess the results of internal control evaluations and audits and to supervise the rectification of internal control deficiencies;

(14) to research other topics as defined by the Board.

Article 18 The duties of the Committee on supervising and coordinating the communication between the management, internal audit department and relevant departments and the external auditor include:

(1) to supervise and coordinate communication between management and the external auditor on significant audit matters;

(2) to supervise and coordinate communication between the internal audit department and the external auditor and the cooperation provided to the external auditor.

Article 19 The Committee shall report and make recommendations to the Board on measures or improvements it deems necessary.

Article 20 The Audit Committee is accountable to the Board. Proposals of the Audit Committee shall be submitted to the Board for consideration and decision.

Article 21 If the Company's directors and senior management discover that financial accounting reports published by the Company contain false statements, misleading statements or material omissions and report the same to the Board, or where intermediaries point out to the Board that the Company's financial accounting reports contain false statements, misleading statements or material omissions, the Board shall promptly report to the stock exchanges where the Company's shares are listed and make disclosure thereof.

If the Company discloses relevant information in accordance with the preceding paragraph, it shall disclose the material problems existing in the financial accounting report, the consequences that have been or may be caused, and the measures taken or intended to be taken in the announcement.

The Audit Committee shall urge the Company's relevant departments to develop corrective measures and timelines, conduct follow-up reviews, supervise the implementation of rectification measures, and timely disclose of the completion of the rectification.

Article 22 When the Company discloses its annual report, it shall simultaneously disclose on the website of the stock exchange where the Company's shares are listed the annual performance report of the Board's Audit Committee, which shall mainly include the performance of its duties and the convening of meetings of the Audit Committee. The Audit Committee shall put forward its deliberation opinions to the Board in respect of matters within the scope of its terms of reference. The Company shall disclose matters in relation to opinions not adopted by the Board with proper explanation and reason.

Article 23 Unless otherwise provided by laws and regulations, the Audit Committee shall direct the internal audit department to conduct inspections on the following matters at least once every six months, issue inspection reports and submit them to the Audit Committee. If any violation of laws and regulations or operating irregularities of the listed company are identified during the review, the matter shall be promptly reported to the stock exchange where the Company's shares are listed:

(1) the implementation of significant events such as the Company's use of proceeds, provision of guarantees, related party transactions, securities investment and derivatives transactions, provision of financial assistance, purchase or sale of assets, and external investments;

(2) the Company's substantial capital transactions and the capital transactions with directors, senior management, controlling shareholders, de facto controllers and their related parties.

The Audit Committee shall issue evaluation opinions in writing in respect of the effectiveness of the internal control of the Company based on the internal audit report and relevant information submitted by the internal audit department, and report to the Board. In the event that the Board or the Audit Committee considers that there is a material weakness or material risk in the internal control of the Company, or that the sponsor or accounting firm identifies a material weakness in respect of the effectiveness of the internal control of the Company, the Board shall report to the stock exchange where the Company's shares are listed and make disclosure in a timely manner. The Company shall disclose in an announcement the material weakness or material risk identified in the internal control, consequences which have been or may be caused, as well as measures which have been or are proposed to be taken.

Article 24 The Board or Audit Committee of the Company shall issue an annual internal control evaluation report based on the evaluation reports and related materials issued by the internal audit department. The evaluation report on internal control shall include the following:

- (1) the Board's statement on the truthfulness of the internal control evaluation report;
- (2) an overview of the internal control evaluation work;
- (3) the basis, scope, procedures and methods of the internal control evaluation;
- (4) deficiencies in internal control and their identification;
- (5) the rectification of internal control deficiencies in the previous year;
- (6) the proposed rectification measures for internal control deficiencies in the current year;
- (7) conclusions on the effectiveness of internal control.

Article 25 The Company shall provide the Audit Committee of the Board with the necessary working conditions and assign dedicated personnel or departments to undertake the Audit Committee's routine work such as liaison, meeting organization, material preparation and file management. When the Audit Committee performs its duties, the Company's management and relevant departments shall provide cooperation.

The Audit Committee may engage intermediaries to provide professional opinions at the expense of the Company as it deems necessary.

Chapter 4 C convening and Notice of Meetings

Article 26 The Audit Committee shall meet at least once every quarter. An extraordinary meeting may be convened upon the proposal of two or more members or when the convener considers it necessary. A meeting of the Audit Committee shall only be held if at least two-thirds of the members are present. The Company shall notify all members and provide relevant materials and information at least three days prior to the meeting. In urgent circumstances where a meeting needs to be convened as soon as possible, meeting notices may be issued at any time by telephone or other oral means.

Article 27 In principle, the meetings of the Audit Committee shall be held on-site. On the premise of ensuring that all the participating directors can fully communicate and express their opinions, the meetings can be held by video, telephone or other means when necessary.

Article 28 Notices of meetings of the Audit Committee may be given by facsimile, email, telephone, hand delivery or mail.

Chapter 5 Consideration and Voting Procedures

Article 29 Resolutions made by the Audit Committee shall be adopted by more than half of the members of the Audit Committee.

Voting on resolutions of the Audit Committee shall be on the basis of one vote per person.

Article 30 Members of the Audit Committee may attend meetings in person or may appoint other members to attend meetings and exercise voting rights on their behalf.

Article 31 If a member of the Audit Committee appoints another member to attend a meeting and exercise voting rights on his/her behalf, he/she shall submit a written power of attorney to the presider of the meeting. The power of attorney shall be submitted to the presider of the meeting no later than the voting of the meeting begins.

Article 32 The head of the audit department may attend meetings of the Audit Committee. If necessary, the Audit Committee may gather other persons related to the proposals of the meeting to attend the meeting, provide briefings or express opinions, but non-members of the Audit Committee shall have no voting rights on proposals.

Article 33 Members attending the meeting shall deliberate on the proposals and fully express their individual opinions in a conscientious and responsible manner; the members shall be responsible for their own votes.

Article 34 Voting at regular and extraordinary meetings of the Audit Committee shall be by show of hands or poll.

Article 35 Proposals and voting results adopted at the meetings of the Audit Committee shall be reported to the Board of the Company in writing.

Article 36 Written minutes shall be kept of meetings of the Audit Committee. Members attending meetings and the minute-taker shall sign the minutes. Members attending meetings shall have the right to request that explanatory notes be made in the minutes regarding their statements at the meeting.

Minutes of meetings of the Audit Committee shall be retained as the Company archives by the Board office. The retention period shall be ten years during the existence of the Company.

Article 37 Members of the Audit Committee are under a duty of confidentiality with respect to information about the Company that comes to their knowledge until such information is made public.

Chapter 6 Supplementary Provisions

Article 38 Matters not covered by these Rules of Procedure shall be governed by the relevant national laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

In the event that these Rules of Procedure conflict with laws, administrative regulations, departmental regulations as subsequently promulgated by the government, or securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association as amended, the relevant national laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association shall prevail.

Article 39 For the purposes of these Rules of Procedure, references to "or more" shall be inclusive of the number itself, and references to "more than" shall be exclusive of the number itself.

Article 40 The Board shall have the right to interpret these Rules of Procedure.

Article 41 These rules of procedures shall come into effect from the date when the H shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited upon consideration and approval by the board of directors.