



中泰期貨
ZHONGTAI FUTURES

ZHONGTAI FUTURES Company Limited
中泰期貨股份有限公司

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

(Stock Code: 01461)

**TERMS OF REFERENCE OF
AUDIT COMMITTEE OF THE BOARD
(REVISED DRAFT)**

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to strengthen the internal supervision and risk control of ZHONGTAI FUTURES Company Limited (中泰期貨股份有限公司) (the “Company”), regulate the auditing work, ensure the effective supervision of the financial balance and various operating activities and improve the corporate governance structure of the Company, the Audit Committee under the board of directors (the “Board”) was established and the Terms of Reference were formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Futures and Derivatives Law of the People’s Republic of China, the Regulations Governing Futures Trading, the Measures Governing the Supervision of Futures Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) and the Corporate Governance Code set out in Appendix C1 of the Hong Kong Listing Rules, A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants, the Articles of Association of ZHONGTAI FUTURES Company Limited (the “Articles of Association”) and other relevant regulations.

Article 2 Members of the Audit Committee shall be diligent and responsible, supervise and evaluate the internal and external audits of the Company in a practical and effective manner, and support the Company’s establishment of robust internal controls and provision of true, accurate and complete financial reports. The Audit Department shall assist the Audit Committee in discharging its duties, and the Board office shall be accountable for overall coordination.

CHAPTER 2 COMPOSITION

Article 3 The Audit Committee shall comprise three to five non-executive directors, who shall be directors not holding any senior management positions in the Company, and the members shall have the professional knowledge and experience capable of performing the duties of the Audit Committee.

Members of the Audit Committee (including the chairman of the Committee) shall be nominated by the chairman of the Board or one-third or more of all the directors, and shall be elected by the Board subject to approval of more than half of all the directors. Upon the approval of the resolution for the election of members, the appointment of the newly-elected member shall become effective immediately after such resolution of the Board takes effect. A majority of whom shall be independent non-executive directors. The Committee shall have at least one independent non-executive director with relevant professional qualifications or with expertise in accounting or financial management, so as to comply with the Hong Kong Listing Rules in relation to the qualification requirements of the financial professionals in the Audit Committee.

Members of the Audit Committee shall not be persons nominated or recommended by a controlling shareholder (except for independent non-executive directors) or persons holding positions in a controlling shareholder entity.

Members of the Audit Committee shall, in principle, be independent of the daily operations and management of the Company. Members of the Audit Committee shall ensure sufficient time and energy for discharge of the duties of the Audit Committee, and shall act with diligence and responsibility.

A former partner of the existing external auditing firm of the Company shall not act as a member of the Committee within two years from the following date (whichever the latter):

- (1) the date of his/her ceasing to be a partner of the auditing firm;
- (2) the date that he/she no longer has any financial interest in the auditing firm.

Article 4 The chairman of the Audit Committee shall be an accounting professional among the independent non-executive directors, shall have at least five years of experience in accounting work, and shall possess the corresponding independence, good professional ethics, and professional competence.

Article 5 The term of office of the members of the Audit Committee shall be the same as that of the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. A member who, during his/her term of office, no longer serves as a director or, if in the capacity of independent non-executive director, ceases to have the independence required by laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules and the Articles of Association, shall ipso facto cease to be a member of the Committee from the time he/she ceases to be a director, and the Board shall fill up the vacancy in accordance with the requirements set out in Article 3 and Article 4 above.

The resignation of a member of the Audit Committee resulting in the number of members of the Audit Committee falling below the statutory minimum or in the absence of an accounting professional, the original members shall continue to perform their duties until the new member takes office.

Article 6 The terms of office of members of the Audit Committee may be adjusted during their terms of office according to the recommendation of the chairman of the Board and upon the consideration and approval of the Board.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 7 The Audit Committee shall exercise the duties and authorities of the Board of Supervisors as stipulated in the Company Law, participate in the appraisal of the person in charge of internal audit, be responsible for reviewing the financial information of the Company and its disclosure, supervise and evaluate internal and external audits and internal control, review the financial management, risk management and internal control systems of the Company, and supervise the financial audit system of the Company and its implementation. The following matters shall be submitted to the Board for consideration after being approved by more than half of all members of the Audit Committee:

- (1) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (2) appointing or dismissing the accounting firm in charge of the Company's audit service;
- (3) appointing or dismissing the person in charge of financial affairs of the Company;

- (4) making changes to accounting policies or accounting estimates, or correcting significant accounting errors for reasons other than changes in accounting standards;
- (5) other matters required by laws, administrative regulations, the CSRC, the Hong Kong Listing Rules and the Articles of Association.

Article 8 The Audit Committee shall assume the supervisory responsibility for comprehensive risk management, and shall be responsible for supervising and inspecting the performance of duties by the Board and management in risk management and urging rectification, and making recommendations for the removal of directors and senior management staff who bear primary or leadership responsibility for major risk events; urging the management to establish effective risk management and internal control systems, ensuring that the Company allocates sufficient resources to audit and financial management, the relevant responsible personnel have sufficient experience, and training is arranged for the relevant responsible personnel; reviewing the findings related to risk management and internal control matters and the management's report on such findings.

Article 9 The Audit Committee shall supervise the performance of compliance management duties by the directors and senior management staff of the Company, and shall propose the removal of directors and senior management staff who bear primary or leadership responsibility for major compliance risks.

The Audit Committee shall supervise the implementation of investor rights protection of the Company, the execution of corporate culture initiatives, and the performance of directors and senior management staff in fulfilling their duties of honest practice management and integrity management.

The Audit Committee shall ensure that employees of the Company may anonymously report any improprieties in relation to the financial management, internal control and other aspects of the Company, and shall urge the Company to conduct fair and independent investigations and take appropriate actions regarding such matters.

Article 10 The Audit Committee shall make recommendations to the Board regarding the recruitment or replacement of the external auditing firm, review the audit fees and terms of engagement of external auditing firm, and handle matters related to the resignation of external auditing firm, and is not subject to undue influence from the major shareholders, actual controllers, or directors and senior management staff of the Company.

Article 11 The Audit Committee shall evaluate the independence of the external auditing firm, urge the external auditing firm to be honest, trustworthy, diligent and responsible, strictly abide by business rules and industry self-regulatory norms, strictly implement internal control systems, verify and validate the financial and accounting reports of the Company, fulfill the duty of special care, and prudently express professional opinions; the Audit Committee shall communicate with the external auditing firm in advance regarding the nature and scope of the audit and relevant reporting obligations prior to the commencement of the audit work; the Audit Committee shall establish a system for the provision of non-audit services by the external auditing firm and make recommendations to the Board on special matters; the Audit Committee shall review the Audit Explanation Letter issued by the external auditing firm to the management, questions raised by the external auditing firm to the management in respect of accounting records, financial accounts or control systems and the management's response, ensuring that the Board provides timely responses to the matters raised in the Audit Explanation Letter.

The Audit Committee shall meet with the external auditing firm at least twice a year to deal with matters raised by the person in charge of financial affairs of the Company or the external auditing firm.

Article 12 The Audit Committee shall supervise and evaluate the internal audit of the Company, primarily perform the following duties:

- (1) to guide and supervise the establishment and implementation of the internal audit system of the Company, ensuring the Company allocates sufficient resources to internal audit;
- (2) to review the Company's annual internal audit plan;
- (3) to supervise the implementation of the Company's internal audit plan;
- (4) to guide the effective operation of the internal audit department of the Company;
- (5) to report to the Board on the progress, quality and major issues identified in internal audit works;
- (6) to coordinate the relationships between the internal audit department of the Company and external audit entities such as auditing firms and national audit agencies.

Article 13 The Audit Committee shall supervise the internal audit department of the Company to conduct inspections on relevant matters of the Company in accordance with relevant regulations, and issue inspection reports for submission to the Audit Committee.

Article 14 The Audit Committee shall review the financial and accounting reports of the Company, provide opinions on the authenticity, completeness and accuracy of financial and accounting reports, focus on significant accounting and auditing issues in the financial and accounting reports of the Company, pay particular attention to the possibility of fraud, irregularities and material misstatements related to the financial and accounting reports, and supervise the rectification of issues in the financial and accounting reports.

Before submitting the financial and accounting reports to the Board, the Audit Committee shall focus on the following matters:

- (1) changes in the accounting policies;
- (2) significant judgments;
- (3) significant adjustments according to the results of audit;
- (4) assumptions on the ongoing operations of the Company and any qualified opinions;
- (5) compliance with accounting standards;
- (6) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting.

Article 15 The Audit Committee shall perform the duties of supervising and evaluating the internal control of the Company, review the internal control assurance report issued by the external auditing firm and the annual internal control evaluation report of the Company based on the internal audit reports and relevant information of the Company, issue written evaluation opinions on the effectiveness of the internal control of the Company, and report to the Board. Where the Audit Committee considers that there is a material weakness or significant risk in the internal control of the Company, it shall report to the Board in a timely manner.

Article 16 The Audit Committee shall perform its duties in accordance with the Articles of Association and the authorisation of the Board. Unless otherwise specified, proposals of the Audit Committee shall be submitted to the Board for consideration and decision.

Article 17 The chairman of the Audit Committee shall primarily exercise the following duties:

- (1) to convene and chair the meetings of the Audit Committee;
- (2) to supervise and examine the implementation of resolutions of the Audit Committee;
- (3) to sign relevant documents of the Audit Committee;
- (4) to report to the Board on the operations of the Committee;
- (5) other duties as requested by the Board.

Article 18 The management and relevant departments of the Company shall support the work of the Audit Committee, provide the necessary working conditions for the Audit Committee, and provide relevant written materials of the Company to the Audit Committee in a timely and sufficient manner as needed for the performance of its duties.

In the process of conducting supervision and inspection of the Company's business activities, risk management, internal control, financial information and other matters, the internal audit department shall be subject to the supervision and guidance of the Audit Committee.

Article 19 The Audit Committee shall submit an annual performance report to the Board, which shall primarily include the fulfillment of its duties by the Committee and the convening of meetings.

CHAPTER 4 CONVENING AND NOTICE OF MEETINGS

Article 20 Meetings of the Audit Committee shall be held at least twice a year. In any of the following circumstances, a meeting of the Audit Committee may be convened:

- (1) whenever the chairman of the Audit Committee deems necessary;
- (2) whenever proposed by two or more members of the Audit Committee;
- (3) whenever the Board so resolves.

Article 21 Meetings of the Audit Committee shall be convened and chaired by the chairman of the Committee. If the chairman is unable or fails to perform his/her duties, the meeting shall be convened and chaired by a member who is an independent non-executive director elected by more than half of the members of the Committee. The notice of a meeting shall be despatched to all the members of the Committee two days prior to the date of the meeting. In special circumstances, the notice period may be less than two days provided that consent has been obtained from two-thirds or more of the members of the Committee.

Article 22 The notice of meeting of the Audit Committee shall be signed by the chairman of the Committee and issued through, among other things, email. Notice of the meeting shall contain the followings:

- (1) the date and venue of the meeting;
- (2) the duration of the meeting;
- (3) the subject, issue and other related information;
- (4) the date on which the notice is served.

The office of the Board shall be responsible for the notice of meeting and affairs of the Audit Committee and the notice of meeting may be dispatched by means of fax, email, delivery in person, post or telephone, etc.

Article 23 Upon the receipt of the notice of meeting, members of the Audit Committee shall give acknowledgement and reply by providing relevant information (including but not limited to the availability for the meeting and schedule) in a timely and appropriate manner.

Article 24 The Audit Committee shall provide each member with sufficient information, and shall endeavor to serve the relevant documents and materials of the meeting to all members as concurrently as the notice of the meeting. They shall be served to all members before the meeting should they cannot be served at the same time as the notice of the meeting. The members shall carefully read the relevant documents received from the Committee and get ready to comment thereon.

CHAPTER 5 TERMS OF REFERENCE

Article 25 The quorum of the meetings of the Audit Committee shall be two-thirds or more of the members.

Article 26 Members of the Audit Committee shall attend meetings in person (including attending on-site meetings in person or by means of communications). A member who is unable to attend a meeting in person may, by a duly signed power of attorney, appoint another member of the Audit Committee to attend and exercise relevant powers at the meeting on his/her behalf. The power of attorney shall specify, among others, the names of the principal and the proxy, the scope of authorisation, the restriction of authorisation and the validity period of authorisation, with the signatures or seals of the principal. The member attending the meeting as a proxy shall only exercise the rights within the scope of authorisation. A member may accept the appointment to attend on behalf of up to one member. Any member serving as an independent non-executive director may only appoint another member of independent non-executive director to attend on his/her behalf.

Article 27 The Audit Committee may, if it considers necessary, invite representatives of external audit firms, internal audit personnel, financial personnel, legal advisers and other relevant personnel to attend the meetings and provide necessary information.

Non-voting attendees shall not intervene with the proceedings of the Audit Committee, nor shall they interfere with the discussion, voting and resolution of the meeting.

Article 28 During a meeting of the Audit Committee, the chairman of the meeting shall first announce the issues of the meeting, and then preside over the meeting in accordance with the meeting agenda. The chairman of the meeting is entitled to determine the proceeding time of each of the issues, whether to stop the discussion, whether to jump to the next issue, etc. The chairman of the meeting shall earnestly preside over the meeting, adequately listen to the opinions of attending members and enhance the efficiency of proceedings and rationality of decision-making.

Article 29 Any issue not stated in the notice of the meeting of the Audit Committee shall not be discussed. Under special circumstances, any new issue required to be added at the meeting for consideration and approval shall be agreed by two-thirds or more of the members attending the meeting.

Article 30 A member attending the meeting shall discuss issues within the terms of reference, and shall not discuss with other non-voting attendees, unless the chairman of the meeting decides to listen to the opinions and recommendations of non-voting attendees.

Article 31 The chairman of the meeting shall control the progress of the meeting in accordance with the proceedings of the attending members, and shall not change the meeting progress or the issues of the meeting due to other people present at the meeting.

Article 32 Should there be confrontation of opinions leading to failure of voting or equivalency between the affirmative votes and dissenting votes, the chairman of the meeting shall not forcefully announce the resolution, but shall instead continue the proceedings or adjourn the meeting temporarily depending on the conditions of the meeting.

Article 33 Resolutions of the meeting of the Audit Committee shall be passed by more than half of the members of the Audit Committee.

Voting on resolutions of the Audit Committee shall be conducted on a one member one vote basis.

A member of the Audit Committee shall be abstained from voting if he/she has an interest in the matters under discussion at the meeting. Where the Committee is unable to form an effective opinion due to the Audit Committee member's abstain, the relevant matters shall be considered directly by the Board.

Article 34 In principle, a meeting of the Audit Committee shall be held in the form of on-site meeting, where voting shall be made by a show of hands or by poll in the order of for, against and abstain. The chairman of the meeting shall count the votes and announce the results of each resolution forthwith, which shall be recorded by the recorder of the meeting.

Upon approval of the chairman of the Audit Committee, a meeting may be held by way of communications or respective reviews through written materials, while members of the Audit Committee shall submit documents of the meeting such as completed votes and signed audit opinions to the office of the Board within the deadline specified in the notice of meeting.

If a meeting of the Audit Committee is held by electronic communications including teleconference and videoconference, it shall be ensured that the members attending the meeting can clearly hear the speeches delivered by other members and can communicate with one another. The verbal voting instructions made by a member shall be consistent with those in the written record signed after the conclusion of the meeting. In case of any inconsistency between the written record signed and the verbal voting instructions, the written record signed shall prevail. Members participating in a meeting held by electronic communications including teleconference or videoconference shall be deemed as attending such meeting of the Audit Committee in person.

Article 35 All members present at the meeting and the non-voting attendees are obligated to keep confidential the matters considered at the meeting, and shall not divulge or disclose relevant information without authorisation.

Article 36 The Audit Committee shall, within five days from conclusion of the meeting, submit the resolution(s) approved at the meeting and the poll results to the Board of the Company in written form.

Article 37 Any member of the Audit Committee failing to attend meetings of the Audit Committee in person for two consecutive times and without appointing another member to attend on his/her behalf shall be deemed as incapable of performing the duties of a member of the Committee, and shall be subject to replacement by the Board.

Article 38 The Audit Committee may engage external professionals to provide services, and the reasonable expenses incurred thereby shall be borne by the Company.

CHAPTER 6 MEETING MINUTES

Article 39 Meeting minutes shall be prepared for the meetings of the Audit Committee in accordance with regulations. The meeting minutes shall be complete, truthful and accurate, fully and thoroughly reflecting the opinions expressed by the attendees on the matters under consideration.

Members and the recorder and other relevant personnel present at the meeting shall sign on such minutes for confirmation.

Members attending the meeting shall have the right to request to record in the meeting minutes details of the statements made by them at the meeting.

Article 40 Meeting minutes of the Audit Committee shall be kept by the Board office or other designated body as corporate files for at least 10 years.

Article 41 The meeting minutes of the Audit Committee shall contain the following information:

- (1) the date and venue of the meeting and the name of the convener;
- (2) the names of the members attending the meeting in person and the names of the members appointed (proxies) to attend the meeting;
- (3) agenda of the meeting;
- (4) summary of members' speech;
- (5) the voting results of each proposed resolution.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 42 Unless otherwise specified, the terms used herein shall have the same meanings ascribed thereto under the Articles of Association.

Article 43 The senior management staff mentioned in the Terms of Reference refer to the general manager, deputy general manager, officer-in-charge of financial affairs, chief risk management officer, secretary to the Board and other senior management staff as determined by the Articles of Association.

Article 44 The terms “or more” and “at least” mentioned in the Terms of Reference shall include the underlying number, while the term “more than half” shall not include the underlying number.

Article 45 The Terms of Reference shall become effective upon the consideration and approval of the Board of the Company.

Article 46 Any matters not covered by the Terms of Reference shall be subject to relevant state laws, regulations, rules of securities regulatory authorities and The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the requirements of the Articles of Association. In case of any discrepancy between the Terms of Reference and the laws and regulations to be promulgated by the government of China in the future, the rules of securities regulatory authorities and the Hong Kong Stock Exchange, or the Articles of Association as amended according to lawful procedures, the relevant state laws and regulations, rules of securities regulatory authorities and the Hong Kong Stock Exchange and the requirements of the Articles of Association shall prevail, and the Terms of Reference shall be amended immediately for consideration and approval of the Board.

Article 47 The Terms of Reference are prepared in Chinese. In case of any discrepancy between the Chinese text and English text of the Terms of Reference, the Chinese text shall prevail.

Article 48 The power of interpretation of the Terms of Reference shall be vested in the Board of the Company.