

**CITIC SECURITIES COMPANY LIMITED**  
**RULES OF PROCEDURE OF THE AUDIT COMMITTEE OF THE BOARD**  
**OF DIRECTORS**

**Chapter 1 General Principles**

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

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

**Article 3** The Audit Committee shall meet at least once in every six months, or hold any extraordinary meetings of the committee pursuant to relevant laws, rules and regulations of the State, the Local Listing Rules, the Articles of Association, and these Rules.

**Chapter 2 Composition of the Audit Committee**

**Article 4** The Audit Committee shall consist of no less than three directors. All the

members of the committee must be non-executive directors, of whom the majority must be independent non-executive directors, and at least one of the independent non-executive directors must be a professional accountant. Former partners of the current external auditor of the Company shall be prohibited from acting as a member of the Audit Committee for a period of one year commencing on the date of his ceasing to be a partner of the firm or to have any financial interest in the firm (whichever is the later).

**Article 5** The Chairman of the Audit Committee shall be an independent non-executive director elected by two thirds or more of all the members of the Audit Committee.

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

### **Chapter 3 Duties of the Audit Committee**

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

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

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

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

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

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Local Listing Rules and legal requirements in relation to financial reporting;

(V) Regarding (IV) above:-

- (a) members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the Company’s auditors; and
- (b) the committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration

to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, or auditors;

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

- (1) conduct at least annually a review of the effectiveness of the internal control system of the Company (including the subsidiaries of the Company);
- (2) ensure that the relevant review has covered all material control aspects, including financial control, operational control and compliance control. When conducting the annual review, the Audit Committee shall pay special attention to the followings:
  - (i) the changes in the nature and extent of significant risks since the last annual review and the capabilities of the Company to respond to changes in its business and external environment;
  - (ii) consider the report prepared by the management and submitted to the Board of Directors on reporting the effectiveness of the internal control system, and review the scope and quality of the management's continuous monitoring of the internal control system, as well as the internal audit function and the work of other departments responsible for providing other assurances;
  - (iii) the extent and frequency of communication of monitoring results to the Board of Directors, to assist the Board of Directors to evaluate the effectiveness of the internal control system of the Company;
  - (iv) Significant control failings or weakness that have been identified during the period, and the extent to which they have resulted in unforeseen consequences or contingencies that have had, may have or will have a material impact on the financial performance or condition of the Company; and
  - (v) examine the financial reporting procedures and compliance with the requirements of the listing rules by the Company, including the effectiveness of the procedures for handling and releasing inside information and the internal control measures;

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

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

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

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

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

(XII) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;

(XIII) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and to act as the key representative body for overseeing the Company's relations with the external auditor.

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

(XV) to report back to the Board of Directors on the matters provided in Section C.3.3, Appendix XIV of the SEHK Rules, and any decisions or recommendations of the Audit Committee, unless there are legal or regulatory restrictions on their ability to do so;

(XVI) to perform any other duties assigned by the board or to consider other topics, as defined by the board; and

(XVII) other requirements stipulated in Section C.3.3, Appendix XIV “*Code on Corporate Governance Practices*” of the SEHK Rules, or required by the Local Listing Rules, as amended from time to time.

**Article 8** The Audit Committee may establish a branch office. Personnel of such branch office may, subject to relevant approvals, attend relevant meetings of the Company as non-voting participants, call for relevant data and on this basis, issue independent supervisory reports regularly and submit the same to the Audit Committee, the Chairman of the Board and China Securities Regulatory Commission.

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

- (I) the report of the management on the analysis, proposals and conclusion of internal control and confirmation on the effectiveness of internal control;
- (II) work report of the internal audit department, including the analysis on the effectiveness and sufficiency of internal control;
- (III) the report of the accounting department on the effectiveness of the financial reporting procedures, the report provided by the compliance department on

compliance of the Company, the self-evaluation report on the internal control of the Company provided by the self-evaluation team of internal control.

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

**Article 9** The Chairman of the Audit Committee shall:

- (I) convene regular meetings of the Audit Committee;
- (II) convene extraordinary meetings of the Audit Committee under special circumstances;
- (III) chair the meeting of the Audit Committee;
- (IV) supervise and inspect the implementation of the resolutions of the Audit Committee; and
- (V) perform other duties assigned by the Board of Directors and the Audit Committee.

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

**Article 10** Meetings of the Audit Committee shall, in principle, be notified in writing to all of its members no less than five days before the date of the meeting, or, under special circumstances as approved by two thirds or more of the members of the committee, less than five days before the meeting, and/or notified in other ways.

**Article 11** The notice of the meeting of the Audit Committee shall include:

- (I) the date and venue of the meeting;
- (II) the duration of the meeting;
- (III) the cause and topic;

(IV) the date of the notice.

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

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

**Article 12** No meeting of the Audit Committee may be held unless two thirds or more of the members of the committee are present. Each member shall have one vote. Any resolution of the meeting must be adopted by two thirds or more of all the members of the committee before such resolution can become effective. In the case of equal votes, the Chairman of the Audit Committee shall have an additional or decisive vote.

**Article 13** The meeting of the Audit Committee shall be attended by members of the committee in person and not by proxy.

**Article 14** The meeting of the Audit Committee shall be chaired by the Chairman of the Audit Committee. Where the Chairman is unable or fails to perform his or her duties for any reason, another independent non-executive director of the committee shall perform those duties, or if there are more than two independent non-executive directors, the meeting shall be chaired by an independent non-executive director elected by a majority of the members.

**Article 15** According to the agenda of the meeting of the Audit Committee, or if necessary, the committee may invite any other person related to any agenda item under consideration to present relevant information or opinions, in which case such person shall not be absent from the meeting without cause or reason. Non-voting participants shall neither engage in the considerations of the meeting, nor shall they interfere with the process, voting or decision-making of the meeting.

**Article 16** In principle, the Audit Committee will not deliberate on any topic or matter



that is not listed on the notice of the meeting. If, under exceptional circumstances, a new item or matter needs to be added on the agenda of the meeting, deliberations and decisions on such new item or matter can only take place upon approval of two thirds or more of the members.

**Article 17** The Audit Committee shall meet with the external auditor without presence of any management member at least once a year, in order to discuss any matters in relation to the audit cost, any matters arising out of the audit work and any other matters raised by the external auditor.

**Article 18** The Audit Committee shall, at the invitation of the Chairman of the Board, send its Chairman or, in his or her absence, another member of the committee or his or her authorized representative, to answer questions at the annual general meeting of shareholders.

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

**Article 19** Voting at the meeting of the Audit Committee shall be conducted by show of hands, with voting results to be carried in a resolution and recorded in the minutes of the meeting. Such minutes shall be signed by all members of the committee present. Copies of the resolution and minutes shall be provided to all the members of the committee for record purposes, and shall be kept as company files by the secretary to the Board of Directors for at least 15 years as long as the Company continues to exist.

**Article 20** The resolution of the meeting of the Audit Committee shall include:

- (I) the date, venue and the name of the convener of the meeting;
- (II) the number of members who should be present and the number of members who are actually present;
- (III) a statement on the legality and validity of the relevant procedures and resolutions of the meeting;

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

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

**Article 21** Where the Audit Committee resolves on any proposal that requires further consideration by the Board of Directors, the committee shall timely submit such proposal to the Board of Directors.

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

**Article 22** The Audit Committee may, within the scope of powers and authorities provided for in its terms of reference, investigate any act or action, for which purpose all employees must cooperate with the committee. The Board of Directors may, if applicable, authorize the Audit Committee to seek for legal advises or other independent professional opinions from external sources, and invite, if necessary, external experts with relevant experience to attend meetings of the Audit Committee.

**Article 23** Where the Audit Committee suspects any fraudulent behavior or incompliance, internal control failure, or any violation of laws, rules and regulations, and determines that such act is of a serious nature, the committee shall report it to the Board of Directors.

**Article 24** Where the Board of Directors and the Audit Committee differ on the selection, appointment, dismissal or termination of the external auditor, the Audit Committee may, in its corporate governance report in the annual report of the Company, incorporate a representation of its own opinions, together with explanations on what has caused it to hold different opinions with those of the Board of Directors.

**Article 25** The Board of Directors must provide the Audit Committee with sufficient resources to perform its duties.

## **Chapter 9 Miscellaneous**

**Article 26** Unless specified otherwise, all the terms herein shall have the same meanings as those in the Articles of Association.

**Article 27** Any matter not detailed herein, or any inconsistency herein with any laws, regulations, rules, the Local Listing Rules or the Articles of Association that are promulgated or amended after these Rules becomes effective, shall be implemented in accordance with the relevant laws, regulations and rules of the State, the Local Listing Rules or the Articles of Association.

**Article 28** Where these Rules need to be amended due to change of circumstances, the Audit Committee shall prepare a draft amendment and submit the same to the Board of Directors for consideration and approval.

**Article 29** These Rules and their amendments shall become effective upon the date of adoption by the Board of Directors.

**Article 30** These Rules shall be interpreted by the Board of Directors.

**Article 31** These Rules will be published on the website of the Company and the websites of the securities exchanges on which the shares of the Company are listed, pursuant to the Local Listing Rules.

**Considered and adopted at the 4<sup>th</sup> Session of the 1<sup>st</sup> Board of Directors in April 2002;**

**Considered and amended at the 33<sup>rd</sup> Session of the 4<sup>th</sup> Board of Directors in September 2011;**

**Considered and amended at the 36<sup>th</sup> Session of the 4<sup>th</sup> Board of Directors in December 2011**

**Considered and amended at the 3<sup>rd</sup> Session of the 6<sup>th</sup> Board of Directors in April 2016**

*# The original version of the Terms of Reference of the Audit Committee (“**Rules**”) is in Chinese, and the English version of the Rules is the translation from the Chinese original. Should there be any discrepancy between the Chinese and English version of the Rules, the Chinese version shall prevail.*