



(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “东方证券股份有限公司” and carrying on business in Hong Kong as “東方證券” (in Chinese) and “DFZQ” (in English))

Terms of Reference of the Audit Committee of the Board of Directors

The English version is for reference only. Should there be any inconsistency between the English and Chinese versions, the latter shall prevail.

Chapter 1 General Provisions

Article 1 In order to improve the corporate governance structure of the Company, the board of directors (the “Board”) of the Company sets up the Audit Committee and formulates the Terms of Reference in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”) and relevant laws, regulations, rules, normative documents as well as the Articles of Association of Orient Securities Company Limited (hereinafter referred to as the “Articles of Association”).

Article 2 The Audit Committee is a specific working body set up in accordance with the Articles of Association.

Chapter 2 Composition

Article 3 The Audit Committee consists of three to five non-executive directors, a majority of whom shall be independent directors. The Audit Committee shall have at least one independent director with more than five years of working experience in accounting and met the requirements specified in Rule 3.10 (2) of the Hong Kong Listing Rules.

Article 4 Members of the Audit Committee shall be nominated by the chairman of the Board or more than one-third of all directors and shall be elected by the Board. A former partner of the existing external auditor of the Company shall be prohibited from acting as a member of the Audit Committee for a period of one year from the date of his/her ceasing (whichever is later):

- (i) to be a partner of the external auditor; or
- (ii) to have any financial interest in the external auditor.

Article 5 The Audit Committee shall have one chairman who shall be responsible for overseeing the affairs of the Committee; the chairman shall be elected by the Audit Committee or the Board and it shall be assumed by an independent director with professional expertise in accounting.

Article 6 The terms of office of the Audit Committee shall be equivalent to that of the Board. A member may offer himself/herself for re-election upon the expiration of his/her term of office. Any member of the Committee who ceases to be a director of the Company during the term shall automatically cease to be a member of the Committee, and the vacancy shall be filled by the Committee in accordance with Articles 3 to 5 above.

Article 7 The auditing department of the Company, as an office for the routine work of the Audit Committee, shall be responsible for the preliminary preparatory and serving work for the decision making of the Committee, including collecting and providing related information, preparing research reports for relevant subjects, preliminary examination of relevant subjects and draft resolutions of the Committee.

Chapter 3 Duties

Article 8 The main duties of the Audit Committee include:

Relationship with external auditor of the Company

- (1) making recommendations to the Board on the appointment, re-appointment or removal of external auditor, approving the remuneration and engagement terms of the external auditor, dealing with any matter in relation to the resignation or dismissal of the external auditor and supervising its accounting activities;
- (2) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and the Audit Committee shall discuss with the external auditor the nature and scope of the audit and the relevant reporting obligations before the audit commences;
- (3) developing and implementing policies on engaging an external auditor to provide non-audit services. For this purpose, external auditor shall include 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 to be part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and
- (4) acting as the representative body between the Company and its external auditor to oversee their relationship;

Review of the Company's financial information

- (5) supervising annual auditing work and making judgement on the authenticity, accuracy and completeness of the information set out in the financial report and submitting the same to the Board for consideration and approval;
- (6) supervising the completeness of the Company's financial report, annual report and accounts, half-year report and quarterly report and reviewing the major opinions regarding the relevant financial submission as provided in the statements and reports. The Committee shall focus on, in particular, the following items before submitting the relevant statements and reports:
 - (i) any amendments to the accounting policies and practices;
 - (ii) areas involving critical judgements;
 - (iii) material adjustments as a result of auditing;
 - (iv) the assumption of going-concern and any qualified opinions;

- (v) compliance with accounting standards; and
 - (vi) compliance with the listing rules and legal requirements in relation to financial reporting of the locality where shares of the Company are listed;
- (7) in respect of item (6) above:
- (i) members of the Committee shall communicate with the Board and senior management of the Company. The Committee shall convene at least two meetings with external auditor of the Company annually; and
 - (ii) the Committee shall consider any material or unusual matters reflected or required to be reflected in such reports and accounts, and due attention shall be paid to any matters raised by the Company's accounting and financial reporting staff, compliance officer or external auditor;

Overseeing the Company's financial reporting and internal control procedures

- (8) reviewing and evaluating the Company's financial reporting and internal control system;
- (9) supervising and evaluating the Company's internal auditing system and accounting policies and their implementation;
- (10) discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system in place. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (11) considering the major investigation findings on internal control matters and the management's response to these findings on its own initiative or as delegated by the Board;
- (12) being responsible for the communication between the internal and external auditor, to ensure co-ordination between the internal and external auditor; ensuring that the internal audit agency is adequately resourced and has appropriate standing within the Company; and reviewing and monitoring its effectiveness;
- (13) reviewing the Group's financial and accounting policies and their implementation;
- (14) reviewing the Audit Results Letter presented by external auditor to the management, as well as any material queries raised by the auditor to the management in respect of accounting records, financial accounts and control system and the management's response;
- (15) ensuring that the Board shall respond to the matters raised in the Audit Results Letter presented by external audit agency to the management in time; and

(16) reviewing the following arrangements made by the Company: employees of the Company can raise concerns in confidence about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of the matters and for appropriate follow-up action.

Others

(17) being responsible for the control and daily management of the connected transactions of the Company;

(18) reporting to the Board on the above-mentioned matters; and

(19) other matters as stipulated in the Articles of Association or as delegated by the Board.

Article 9 The Audit Committee shall be accountable to the Board and submit its proposals to the Board for consideration and approval. The Audit Committee shall cooperate with the Supervisory Committee for audit activities.

Chapter 4 Proceedings

Article 10 The auditing department shall be responsible for the preliminary preparatory works for the meetings of the Audit Committee and provide relevant materials to be used at such meetings:

(1) relevant financial reports of the Company;

(2) audit reports issued by the internal and external auditors;

(3) external audit contracts;

(4) public information disclosure of the Company;

(5) audit or assessment reports on major connected transactions of the Company; and

(6) other relevant matters.

Article 11 The Audit Committee shall convene meetings to discuss relevant matters related to the audit of the Company and submit relevant written materials to the Board as resolution.

Chapter 5 Rules of Procedures

Article 12 Meetings of the Audit Committee shall be convened at least once every year. The notice of relevant meeting shall be given to all Committee members at least three days prior to the convening of such meeting, and the relevant material to be used at the meeting shall be provided. In the urgent situation where a meeting must be convened as soon as possible, such notice may be issued orally by telephone or otherwise, but the meeting convener shall give an explanation at the meeting. Meetings shall be chaired by the chairman. In the case of absence of the chairman, another Committee member may be appointed to chair the meeting.

Article 13 Meetings of the Audit Committee may only be convened with presence of more than half of the members. Each member has one vote. Resolutions may only be passed by more than half of all Committee members voting in favor of such resolutions.

Article 14 As for meetings of the Audit Committee, votes may be made by a show of hands or by poll. For exceptional cases, votes may be made by members through communications.

Article 15 Where the Audit Committee deems necessary, it may also invite directors, supervisors and other senior management and relevant staffs of the Company to attend meetings.

Article 16 Where the Audit Committee deems necessary, it may engage intermediary agencies or professionals to provide professional advice for its decisions and relevant expenses shall be borne by the Company.

Article 17 The Audit Committee shall keep minutes for its meetings. The minutes should record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised or dissenting views expressed by Committee members. Draft and final versions of minutes of Committee meetings should be sent by the secretary to the Board to all Committee members within a reasonable time after the end of the meeting. Draft versions of minutes are for members to review, and final versions of minutes will be kept as an archive record by the Committee. Members present at such meetings shall sign on the minutes that shall be maintained by the secretary to the Board of the Company.

Any director may review the minutes of Committee meetings within a reasonable time after reasonable notice was sent to the Company.

Article 18 Members present at meetings and others invited to attend such meetings are obliged to keep all matters discussed at such meetings confidential, and shall not disclose relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 19 Upon approval by the Board, this Terms of Reference shall come into effect from the day on which the overseas listed foreign shares (H Shares) of the Company are listed on the Stock Exchange of Hong Kong Limited. The original Terms of Reference for the Audit Committee of the Board of directors of Orient Securities Company Limited will lapse automatically once this Terms of Reference come into effect.

Article 20 The power to interpret and amend the Terms of Reference shall be vested in the Board.