



(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))

(Stock Code: 03958)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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 Securities Law of the People's Republic of China, the Administrative Measures for 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 (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 Directors. The members of the Audit Committee shall be non-executive directors who do not hold senior management positions in the Company, of which a majority shall be independent non-executive directors, and the Audit Committee shall have at least one independent non-executive 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 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 two years 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 non-executive 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 Board in accordance with Articles 3 to 5 above.

Article 7 Based on their respective functions, the Board office, the audit center, the planning and financial management department and other relevant departments of the Company 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, work liaison, meeting organization, drafting subjects and draft resolutions of the Committee, file management and follow-up on implementation of meeting resolutions.

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 (i.e., the accounting firm that performs audit for the Company), approving the remuneration and engagement terms of the external auditor, and dealing with any matter in relation to the resignation or dismissal of the external auditor;
- (2) supervising the practices of external auditor, urging the external auditor to act with honesty, integrity and diligence, strictly complying with the business rules and industry self-disciplinary rules, strictly implementing the internal control system, verifying and validating the Company's financial accounting reports, fulfilling the obligation of special attention and prudently expressing professional opinions;
- (3) 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;
- (4) 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
- (5) acting as the representative body between the Company and its external auditor to oversee their relationship;

Review of the Company's financial information and its disclosure

- (6) 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;
- (7) 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; advising on the truthfulness, accuracy and completeness of financial reports, focusing on significant accounting and auditing issues in the Company's financial reports, with particular attention to the possibility of fraud, malpractice and material misstatement in relation to financial reporting, and overseeing the rectification of financial reporting issues. 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;
- (8) in respect of item (7) 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

- (9) reviewing and evaluating the Company's financial reporting and internal control system, supervising and assessing the Company's internal control and responsible for the disclosure of internal control assessment reports;
- (10) supervising and evaluating the Company's internal auditing system and accounting policies and their implementation;
- (11) 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;
- (12) 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;
- (13) 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;
- (14) reviewing the Group's financial and accounting policies and their implementation;
- (15) 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;
- (16) 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
- (17) 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

- (18) considering the appointment or dismissal of the chief financial officer of the Company;
- (19) being responsible for the control and daily management of the connected transactions of the Company;
- (20) reporting to the Board on the above-mentioned matters; and
- (21) other duties as determined by the Board and as required by the listing rules or regulatory rules of the places where the Company's shares are listed.

Article 9 The Audit Committee shall be accountable to the Board, and the following matters shall be submitted to the Board for consideration with the approval of a majority of all members of the Audit Committee:

- (1) disclosure of financial information in the financial accounting reports and regular reports, and internal control assessment reports;
- (2) appointment or dismissal of the accounting firm that performs audit for the Company;
- (3) appointment or dismissal of the chief financial officer of the Company;
- (4) changes in accounting policies, accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards;
- (5) other matters prescribed by laws, administrative regulations, requirements of the CSRC and the Articles of Association.

CHAPTER 4 PROCEEDINGS AND RULES OF PROCEDURES

Article 10 The meetings of the Audit Committee shall be held on-site in principle, and if necessary, they may be held by videoconference, teleconference or other means in accordance with relevant procedures, provided that all the attending members are able to fully communicate with each other and express their opinions.

Article 11 Meetings of the Audit Committee shall be convened at least once every quarter, and extraordinary meetings may be convened on the proposal of two or more members, or when the chairperson deems it necessary. 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. If a member is unable to attend the meeting in person for any reason, he or she should review the meeting materials in advance, form a clear opinion, and appoint another member in writing to attend the meeting on his or her behalf.

Article 12 Meetings of the Audit Committee may only be convened with presence of more than two-thirds 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 13 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 14 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 15 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 16 The Audit Committee shall form resolutions and keep minutes for its meetings, and the opinion of the independent directors shall be recorded in the minutes. 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. Minutes of committee meeting should be sent by the secretary to the Board to all committee members within a reasonable time after the end of the meeting. 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 17 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 5 SUPPLEMENTARY PROVISIONS

Article 18 The power to interpret the Terms of Reference shall be vested in the Board.

Article 19 This Terms of Reference shall come into effect from the day on which as considered and approved by the Board. The original Terms of Reference will lapse automatically once this Terms of Reference come into effect.

Article 20 Any matters not covered in the Terms of Reference or in conflict with the provisions of laws, regulations, normative documents, the listing rules of the places where the Company's shares are listed or the Articles of Association promulgated or amended after the effective date of the Terms of Reference shall follow such provisions of relevant laws, regulations and normative documents of China, the listing rules of the places where the Company's shares are listed or the Articles of Association.