

Guotai Junan Securities Co., Ltd.

Working Rules of the Audit Committee of the Board of Directors¹

Chapter I General Provisions

Rule 1 Guotai Junan Securities Co., Ltd. (the “Company”) has formulated these working rules pursuant to the Company Law of the People’s Republic of China (中華人民共和國公司法), the Securities Law of the People’s Republic of China (中華人民共和國證券法), Regulation on the Supervision and Administration of Securities Companies (證券公司監督管理條例), the Corporate Governance Standards of Listed Companies (上市公司治理準則), the Corporate Governance Standards of Securities Companies (證券公司治理準則), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則), the Guidelines for the Operation of Audit Committees under the Boards of Directors of Listed Companies on the SSE (上海證券交易所上市公司董事會審計委員會運作指引), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司證券上市規則), the Articles of Association of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司章程) (the “Articles of Association”) and other relevant laws, regulations and provisions of regulatory documents, and based on the actual circumstances of the Company, in order to safeguard the independent, disciplined and effective exercise of powers of the audit committee (the “Audit Committee” or the “Committee”) established under the Board of Directors in accordance with laws and regulations to enhance the structure of corporate governance and ensure the work efficiency and scientific procedures of the Committee.

Rule 2 The Audit Committee is a specialized committee established under and accountable to the Board of Directors, and reports work thereto.

Chapter II Composition and Organisation Structure

Rule 3 The Committee shall comprise at least three (3) Directors, all of whom shall be non-executive Directors and the majority of whom shall be independent Directors. Members of the Committee shall in principle be independent of the daily management of the listed company. Candidates for members of the Committee shall be nominated by the chairman of the Board of Directors and approved by the Board of Directors. All members of the Committee shall have the professional knowledge and business experience capable of performing the duties of the Committee, and at least one independent member of the Committee shall be an accounting professional engaged in accounting for more than five years.

Rule 4 The Committee shall have one (1) chairman who shall be an independent board member, responsible for presiding over the work of the Committee. The chairman shall be an accounting professional. Candidate for the chairman shall be nominated by the chairman of the Board of Directors and approved by the Board of Directors.

¹ Note: this document has Chinese and English versions and the Chinese version shall prevail.

Rule 5 Members of the Committee shall be elected for a term of office equivalent to that of the Directors. Any member who ceases to be a member of the Board of Directors during his term of office shall automatically cease to be a member of the Committee. The Board of Directors shall fill the vacancy according to Rule 3 of these rules if the number of Committee members fails to meet the minimum number requirements.

Rule 6 The Company shall designate the relevant department as the secretarial department to assume the functions of secretary of the Committee.

Chapter III Functions and Duties

Rule 7 Members of the Audit Committee shall communicate with the Board of Directors and the senior management of the Company. The Committee shall meet at least twice a year with the Company's external auditors, including at least one separate communication meeting with external auditors in the absence of the management. The secretary of the Board of Directors may attend the meeting.

Rule 8 The specific functions and duties of the Audit Committee in areas of auditing and internal control are as follows:

- (I) to supervise and evaluate the internal audit work of the Company, to be responsible for reviewing the important internal audit system, to discuss the medium- and long-term planning of internal audit and annual audit plan, to supervise the rectification of major issues identified during internal audit, to listen to the work report of internal audit, to assess and evaluate the performance of the internal audit, and to put forward relevant suggestions;
- (II) to propose to the board of directors the engagement or change of the external auditor, to make recommendations on the remuneration and terms of engagement of the external auditor, to supervise the practice of the external auditor, and to be responsible for the communication between the internal audit and the external audit;
- (III) to audit the Company's financial information and the disclosure thereof, including supervision of annual audits, making judgment on the authenticity, accuracy and completeness of information of audited financial reports, and submit the same to the Board of Directors for review;
- (IV) to review and supervise whether the external auditors are independent and objective and whether the audit procedures are valid according to applicable standards; the Audit Committee shall discuss the nature and scope of the audit and the relative reporting responsibility with external auditors before commencement of the audit;
- (V) to formulate and implement policies in respect of provision of non-auditing services by external auditors. The Audit Committee shall report to the Board of Directors and make recommendations on any matter requiring actions or improvements;

(VI) to monitor the integrity of the financial statements, annual reports and accounts, interim reports and quarterly reports of the Company, and to review significant judgement relating to financial reporting contained therein. Before submitting the relevant statements and reports to the Board, the Committee shall focus review particularly on:

- any changes in the accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the listing rules and legal requirements in relation to financial reporting.

The Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officers or external auditors;

(VII) to be empowered by the authorization of the Board of Directors to supervise and inspect the Company's internal control system;

(VIII) to have power to fully discuss issues in board meetings relating to contents of finance and internal control of the Company; to have power to request the management of the Company to explain, answer and accept queries of relevant questions, and on this basis make relevant recommendation to the Board of Directors so as to ensure that the management has performed its duty to establish and maintain an effective internal control system. The discussion shall include the adequacy of resources, staff qualifications and experience, training programs received by staff and the budget of the Company's accounting and financial reporting function;

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

(X) to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(XI) to review the financial and accounting policies of the Company and its implementation;

- (XII) to review the “Explanatory Statement on Auditing” from external auditor to the management, any significant queries raised by the auditor to the management about accounting records, financial accounts or control systems and management’s response;
- (XIII) to ensure that the Board of Directors will provide a timely response to the issues raised in the “Explanatory Statement on Auditing” of external auditors to the management; and
- (XIV) to report to the Board of Directors on matters set out above.

Rule 9 Arrangements are made to enable employees of the Company to raise, in confidence, concerns 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 these matters and for appropriate follow-up action.

Rule 10 The Audit Committee shall act as the key representative body for overseeing the Company’s relations with the external auditors.

Rule 11 The Committee shall establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

Rule 12 The Audit Committee shall be liable for control and daily administration of the related party transactions of the Company, shall confirm the list of connected persons of the Company and timely report the same to the Board of Directors and the Supervisory Committee, shall examine matters relating to connected transactions with obligation of timely information disclosure in accordance of the listing rules of the place where the shares of the Company are listed and form a written opinion for review by the Board of Directors and report to the Supervisory Committee. The Committee may employ an independent financial adviser to issue a report as the basis for its judgment.

Rule 13 The Committee shall consider other matters delegated by the Board of Directors.

Rule 14 The management of the Company shall which is support the work of the Committee and ensure timely provision of information to the Committee which is necessary for its discharge of duties in areas of operation, business status and other aspects of the Company.

Rule 15 The funds of the Audit Committee shall be covered by the budget of the Company. When the Audit Committee performs its duties, it may engage professional parties such as lawyers, certified public accountants and practicing auditors to provide professional advice on its decision-making at the reasonable cost of the Company.

Rule 16 The chairman of Committee shall perform the following duties:

- to convene and preside over meetings of the Audit Committee;
- to supervise the daily work of the Audit Committee;
- to examine and sign reports and other important documents of the Audit Committee;
- to report work to the Board of Directors on behalf of the Audit Committee; and
- other duties that should be performed by the chairman of the Committee.

Rule 17 When the chairman of the Committee is unable to perform his duties, he/she shall designate a Committee member who is an independent director to act on his/her behalf.

Chapter IV Meetings and Rules of Procedures

Rule 18 Meetings of the Committee generally take the form of on-site meetings (including video or telephone conference) or by way of signing a written resolution.

Rule 19 Meetings of the Audit Committee are classified into regular meetings and extraordinary meetings. The Committee holds at least four regular meetings on a quarterly basis every year.

Rule 20 An extraordinary meeting may be convened by the chairman of the Committee when he/she considers it necessary or when more than two members so proposed.

Rule 21 Notice of regular meetings in writing shall in principle be sent to all members of the Committee at least five (5) days before the date appointed for the meeting. Materials of the meeting together with agenda for the meeting shall be serviced to all members of the Committee for their review at least three (3) days before the date appointed for the meeting. The aforesaid advance notice period may be waived upon consents of two-thirds or more of the members.

Rule 22 For an extraordinary meeting, a notice in writing or by telephone shall be given to all member three (3) days before the meeting, and materials of the meeting shall be serviced to all members of the Committee for their review one (1) days before the date appointed for the meeting. The aforesaid advance notice period may be waived upon consents of two-thirds or more of the members.

Rule 23 A notice of meeting of the Committee shall include the following contents:

- (I) the date and venue of the meeting;
- (II) the duration of the meeting;
- (III) the reasons for and agenda of the meeting; and
- (IV) the date of dispatch of the notice.

Rule 24 A meeting shall be convened and presided over by the chairman of the Committee. When the chairman is unable to attend the meeting, he/she may appoint another member who is an independent director to preside over the meeting on his/her behalf. A meeting shall be held only when more than two-thirds of the members are present at the meeting.

Rule 25 If for any reasons any member of the Committee is unable to attend the meeting, he/she shall notify the secretarial department in advance, or appoint in writing another member to attend the meeting. The power of attorney shall specify the scope and duration of the authorization. Each member shall accept the appointment of not more than one member. If for any reasons an independent board member is unable to attend the meeting in person, he/she shall appoint other independent board members to attend the meeting.

Rule 26 With the consent of the chairman of the Committee, the Committee may invite experts, advisers, professional consultants and any members of the management it considers necessary to attend the meetings.

Rule 27 Voting of the Committee shall be by a show of hands or other means as proposed by the presiding person. Each member shall have one (1) vote. A resolution proposed at a meeting shall be passed by more than half of all members present at the meeting. If any member of the Committee has a conflict of interests in an issue to be discussed at a meeting, such member shall abstain from the meeting.

Rule 28 The secretarial department shall be responsible for the minutes of Committee meetings, which shall include the following contents:

- (1) the date, venue and the name of convener of the meeting;
- (2) the number of members who should be present and the number of members who are actually present;
- (3) an explanation of the relevant procedures of the meeting and the validity of the resolutions of the meeting;
- (4) an explanation of the contents examined and voted at the meeting and the results of the voting; and
- (5) other matters that should be explained and recorded in the minutes of meeting.

Rule 29 Members and other persons present at a meeting shall sign the minutes of meeting.

Rule 30 Draft and final versions of the minutes of the meeting shall be sent to all Committee members for their comment and records, respectively, within a reasonable time after the meetings. The secretarial department shall, after the meetings, timely transfer to the office of the Board of Directors of the Company minutes of meetings of the Audit Committee and all meeting materials and relevant documents delivered to the members for unified and proper maintenance.

Rule 31 During the preparation and disclosure of the Company's annual financial reports the Audit Committee shall follow the relevant laws and regulations and the work procedures as provided in regulatory documents.

Chapter V Supplemental Provisions

Rule 32 Any matter which is not covered in these rules or in conflict with the laws, administrative regulations, other relevant regulatory documents and provisions of the listing rules of where the shares of the Company are listed promulgated from time to time, the laws, administrative regulations, other relevant regulatory documents and provisions of the listing rules of where the shares of the Company are listed shall prevail.

Rule 33 Amendments to these rules shall be proposed by the Committee with effect from the date of approval of the Board of Directors. The Board of Directors shall be responsible for the interpretation of these rules.