

Everbright Securities Company Limited
Rules of Procedure of the Audit and Related Party Transaction
Control Committee

CHAPTER 1 GENERAL PROVISIONS

Article 1 For the purposes of enhancing the decision-making function of the Board of Directors, well conducting internal audit and professional audit, ensuring the efficient supervision by the Board of Directors on the operation and management of the Company and perfecting the corporate governance of the Company, the Company establishes the Audit and Related Party Transaction Control Committee under the Board of Directors and formulates these Rules in accordance with the *Company Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, the *Governance Standards of Securities Companies*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, the *Articles of Association of Everbright Securities Company Limited* (hereinafter referred to as the “**Articles of Association**”) and other applicable laws and regulations.

Article 2 The Audit and Related Party Transaction Control Committee is the dedicated working organization established by the Board of Directors, which shall be responsible for reviewing the Company's financial information and its disclosure, and supervising and evaluating internal and external auditing work and internal control.

CHAPTER 2 COMPOSITION

Article 3 All of the members of the Audit and Related Party Transaction Control Committee shall be the directors who are not the senior management of the Company and there must be at least three directors, among whom more than a half shall be the independent directors and at least one independent director is a professional accounting personnel with more than 5 years' working experience in accounting.

Article 4 The members of the Audit and Related Party Transaction Control Committee shall be appointed by the Board of Directors.

Article 5 The Audit and Related Party Transaction Control Committee shall have the professional accounting personnel among the independent directors as the convener, who shall be responsible for presiding over the work of the committee; and the convener shall be elected from the committee's independent director members and submitted to the Board of Directors for approval.

Article 6 A former partner of the existing external auditor of the Company shall not act as a member of the Audit and Related Party Transaction Control Committee within two years from the following date (whichever is the latter):

- (I) the date of his/her ceasing to be a partner of such auditor; or
- (II) the date that he/she no longer has any financial interest in such auditor.

Article 7 The term of office of each member of the Audit and Related Party Transaction Control Committee shall be the same as that of the Directors. Each member may serve a consecutive term upon re-election after the expiry of his/her term of office. If any member ceases to be a director of the Company during his/her term of office, he/she will automatically lose his/her qualification as a committee member and the Board of Directors shall fill the vacancy in accordance with the provisions of Articles 3 to 5 above.

Article 8 The Board Office shall coordinate with various departments of the Company to handle the daily contacts, meeting organization, preparation of meeting documents, and meeting minutes for the Audit and Related Party Transaction Control Committee.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 9 The Audit and Related Party Transaction Control Committee shall be responsible for reviewing the Company's financial information and its disclosure, and supervising and evaluating internal and external auditing work and internal control. The following matters shall be submitted to the Board of Directors for consideration after being approved by more than half of all committee members:

- (I) Disclosure of financial information in the financial accounting report and periodic report, as well as the internal control and evaluation report;
- (II) Engagement or dismissal of the accounting firm performing audit of the Company;
- (III) Appointment or dismissal of the chief financial officer or the officer in charge of finance of the Company;
- (IV) Change of accounting policies, accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards;
- (V) Other matters as stipulated by laws, administrative regulations, provisions of the China Securities Regulatory Commission, the listing rules of the place where the shares are listed, provisions of the Articles of Association, and as authorized by the Board of Directors.

In addition to the above, the Audit and Related Party Transaction Control Committee shall perform the following duties:

- (I) Approving the remuneration and employment terms of the external auditor and dealing with the issues related to the resignation or dismissal of the external auditor;
- (II) Supervising and evaluating the performance of the external audit and reviewing and monitoring the independence and objectiveness of the external auditor and the validity of the audit procedures;
- (III) Supervising and evaluating the internal audit functions of the Company, ensuring that the internal audit functions are adequately resourced and have appropriate standing within the Company, and reviewing and monitoring their effectiveness;
- (IV) Being responsible for the coordination between the internal audit and the external audit;

- (V) Formulating policies regarding the non-audit services provided by the external auditor and implementing the same;
- (VI) Reviewing the Company's financial information and its disclosure, supervising the annual audit, and making judgment regarding the authenticity, accuracy and completeness of the audited financial reports and information;
- (VII) Monitoring the completeness of the financial statements, annual reports and accounts, interim reports and quarterly reports of the Company, and reviewing significant opinions on financial reporting contained in such statements and reports;
- (VIII) Reviewing the Company's financial and accounting policies and practices;
- (IX) Supervising and evaluating the internal control of the Company;
- (X) Reviewing and advising on the basic management system for related party transactions, supervising the day-to-day management of related party transactions and reviewing major related party transactions;
- (XI) Other matters as stipulated by laws, administrative regulations, provisions of the China Securities Regulatory Commission, the listing rules of the place where the shares are listed, provisions of the Articles of Association, and as authorized by the Board of Directors.

Article 10 The Audit and Related Party Transaction Control Committee shall be accountable to the Board of Directors, and its proposals shall be submitted to the Board of Directors for examination and decision. The Audit and Related Party Transaction Control Committee shall cooperate with the Supervisory Committee in conducting audit activities.

CHAPTER 4 RULES OF PROCEDURE

Article 11 The Audit and Related Party Transaction Control Committee shall hold regular meetings at least four times per year. The meetings of the Audit and Related Party Transaction Control Committee shall be convened by the convener and all the members shall be notified seven days in advance; and the meetings shall be presided over by the convener or, if the convener is not able to be present, another member authorized by the convener. The Audit and Related Party Transaction Control Committee may hold interim meetings as needed. When proposed by more than two members of the Audit and Related Party Transaction Control Committee or it is deemed necessary by the convener of the Audit and Related Party Transaction Control Committee, the Audit and Related Party Transaction Control Committee may hold an interim meeting.

Article 12 No meeting of the Audit and Related Party Transaction Control Committee may be held unless and until more than two-thirds of members attend the meeting; each member has one vote; and the resolutions reached by the meeting shall be passed by more than a half of the members. In case of any failure to reach any effective audit opinions due to the abstention of any member of the Audit and Related Party Transaction Control Committee, the relevant matters shall be directly considered by the Board of Directors.

Article 13 Show of hands or by poll may be adopted for the meetings of the Audit and Related Party Transaction Control Committee; and the interim meeting may be held by telecommunication means. If any member is unable to attend the meeting in person for any reasons, the member may authorize another member to attend the meeting and give opinions for and on his/her behalf by issuing the proxy signed by him/her. The proxy shall explicitly specify the scope and period of the authorization. Each member may accept authorization from no more than one member. If any independent director is unable to attend the meeting in person for any reasons, he/she may authorize another independent director to attend the meeting on his/her behalf.

Article 14 The chief financial officer and the personnel in charge of internal audit of the Company may attend the meetings of the Audit and Related Party Transaction Control Committee as non-voting members, and if it deems necessary, the Audit and Related Party Transaction Control Committee may invite the supervisors, directors and other officers of the Company to attend the meetings as non-voting members.

Article 15 If necessary, the Audit and Related Party Transaction Control Committee may employ intermediaries to provide professional opinions for its decisions at the cost of the Company.

Article 16 The convening procedures, voting methods and resolutions passed at the meetings of the Audit and Related Party Transaction Control Committee shall comply with the requirements of applicable laws and regulations, the Articles of Association and these Rules.

Article 17 The meeting minutes of the Audit and Related Party Transaction Control Committee shall be signed by the members present at the meetings; and the meeting minutes shall be kept by the Secretary of the Board of Directors.

Article 18 The resolutions passed and voting results adopted at the meetings of the Audit and Related Party Transaction Control Committee shall be reported to the Board of Directors in writing.

Article 19 All the members of the Audit and Related Party Transaction Control Committee shall keep the matters discussed at the meetings confidential and not disclose confidential information without authorization.

CHAPTER 5 ARCHIVAL PRESERVATION

Article 20 The meeting archives shall include meeting notices and materials, power of attorney for members attending meetings on behalf of others, meeting minutes signed and confirmed by the attending members and resolutions, etc.

Article 21 The meeting archives shall be kept by the Secretary of the Board of Directors. The retention period for the archives shall be 15 years.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 22 These Rules shall be implemented from the date when the same is passed by the Board of Directors through resolution.

Article 23 Matters not covered herein shall be implemented in accordance with the provisions of the relevant laws and regulations of China, the rules of the securities regulatory authority at the place where the Company's shares are listed and the Articles of Association; and in case of any conflict between these Rules and the future laws and regulations of China, or the future rules of the securities regulatory authority at the place where the Company's shares are listed or the Articles of Association as amended by legal procedures, the relevant laws and regulations of China, the rules of the securities regulatory authority at the place where the Company's shares are listed and the Articles of Association shall prevail.

Article 24 These Rules are to be interpreted by the Board of Directors. In case of any discrepancies between the Chinese version of these Rules and their English translation, the Chinese version shall prevail.