

Important Note: The following is an English translation of the Chinese version of the Terms of Reference of the Audit and Risk Management Committee of the Board of Directors of CRRC Corporation Limited. In case of any discrepancies or inconsistencies between the Chinese and English versions, the Chinese version shall always prevail.

CRRC Corporation Limited (the “Company”)

Terms of Reference of the Audit and Risk Management Committee (the “Committee”) of the Board

1. Role

The Committee is a dedicated committee established in line with the resolution of the Board, which is accountable to and reports its work to the Board. The major functions of the Committee are assisting the Board to examine independently the financial positions of the Company, the implementation and effectiveness of its internal control and risk management regime, issuing the audit report and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit department and external auditors, as well as the identification of connected parties of the Company, review and filing of connected transaction, etc..

2. Membership

2.1 The Committee shall comprise three to five members, all of whom shall be non-executive directors, and the majority of whom shall be independent non-executive directors. The chairman of the Committee shall be an independent non-executive director. Members of the Committee shall possess the expertise and business experience enabling them to fulfill the duties of the Committee, and a high level of knowledge concerning accounting, financial management and law, and shall qualify for the requirements laid down by the securities regulatory authorities under the State Council of the People’s Republic of China for members of Audit and Risk Management Committee,

and at least one of the independent non-executive directors in the Committee is an accounting professional, i.e. with appropriate professional accounting qualifications or a professional with proper accounting or related financial management expertise.

2.2 Committee members shall be nominated by the Chairman of the Board, over half of the independent non-executive directors or one-third of all directors, and elected by the Board.

2.3 The Committee shall have one chairman. The chairman shall be an independent non-executive director, and be in charge of the work of the Committee. The chairman of the Committee shall have accounting professional qualifications, or proper accounting or relevant financial management expertise. The chairman shall be elected with the approval of more than half of all the members of the Committee and the appointment shall also be proposed to the Board for approval. The decision of appointing and removing the chairman of the Committee shall be made by the Board.

3. Meetings

3.1 Committee meetings are divided into regular meetings and extraordinary meetings. The Committee shall at least hold four regular meetings each year, once every quarter. All such meetings shall be convened and presided over by the chairman of the Committee, or in his/her absence or refusing to perform his/her duties, another independent non-executive director shall be designated to perform duties on his/her behalf.

3.2 A meeting of the Committee shall not be held unless attended by over two-thirds of the membership. Each member shall have one vote and the resolutions passed at the meeting must be approved by a majority of all the members.

- 3.3 On the request of the Committee, members of the supporting and associated department (Audit and Risk Department) of the Company could attend without voting rights at the meetings of the Committee. Directors, supervisors, senior management members, heads of other relevant departments and related personnel including representatives of external auditors and legal advisors may be invited by the Committee to attend without voting rights at such meetings when necessary.
- 3.4 External auditors may be invited by the Committee to sit in and communicate, without voting rights, at the meetings of the Committee.
- 3.5 A written report shall be lodged with the Board of the Company on the resolutions passed at and the voting results of the meetings of the Committee.
- 3.6 The meetings of the Committee shall have minutes taken by the personnel appointed by the supporting and associated department. Members of the Committee and related personnel who attend the meetings shall sign their names on the minutes. The Secretary to the Board shall keep the minutes of the Committee meetings as important corporate documents in a manner in line with the Company's file management system.

4. Duties and Authorities

The main powers and duties of the Committee include:

4.1 Proposing the appointment or replacement of external auditors, supervision and assessment of work of external auditors, mainly including:

- (1) to propose to the Board of the engaging, re-engaging or replacing of external auditors; review the auditing fees and terms of engagement of the external auditors; handle any issues concerning resignation or dismissal of the external auditors; take proper measures to supervise the work of the external auditors; examine the reports of the external auditors, and ensure that the external auditors take the final responsibility for the Board and the Committee;

Where the Company proposes to engage or change external auditors, the Committee shall form its review opinion on such matter and submit it to the Board before the Board may consider the relevant proposal(s);

- (2) to evaluate the work of the external auditors, and examine the independence (in particular, the impact on their independence imposed by the non-audit services provided by the external auditors), professionalism, working procedures, quality and results of the external auditors, which include reviewing and monitoring, in accordance with applicable standards, the independence and objectivity and the effectiveness of the audit process;
- (3) the Committee shall discuss and communicate the nature of audit, audit scope, audit plan, audit method and relevant reporting obligations with the external auditors before the audit commences, and communicate in a timely manner with external auditors about significant events found by external auditors during the audit;
- (4) to develop and implement policies on engaging the external auditors to offer non-auditing services. The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and
- (5) to supervise and assess whether the external auditors are responsible and diligent.

4.2 Review of the Company's financial information and its disclosure, mainly including:

- (1) to review the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, and to review the significant financial reporting judgments contained therein, and to provide opinion as to the truthfulness, completeness and accuracy of the financial reports.

In reviewing the financial reports and before submission of the relevant statements and reports to the Board, the Committee shall pay close attention to the following matters:

- (i) material accounting and auditing issues in the financial reports of the Company, including but not limited to adjustments for material accounting errors, material changes in accounting policies and estimates, matters involving material accounting judgments, matters resulting in non-standard unqualified audit report and etc.;
- (ii) the going concern assumptions and any qualifications;
- (iii) compliance with accounting standards;
- (vi) compliance with Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other legal requirements in relation to financial reporting;
- (v) whether there is possibility of fraud, corrupt practices and material misstatement in relation to the financial reports;

In order to fulfill the duties and responsibilities mentioned above,

- (i) members of the Committee shall liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditors, at least one of which shall be conducted with the external auditors for separate communication without the attendance of the management, while the Secretary to the Board may attend the meeting as an observer;

- (ii) the Committee shall 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 financial personnel, internal audit personnel or external auditors;
- (2) to supervise the rectification and improvement of the problems in relation to the Company's financial reports.

4.3 Monitoring of the Company's internal audit regime and its implementation, mainly including:

- (1) to review the Company's annual internal audit plan;
- (2) to supervise the formulation and implementation of the Company's internal audit plan;
- (3) to review the internal audit report, assess the internal audit results and supervise the rectification and improvement of material issues; and
- (4) to instruct on the effective functioning of internal audit department, including giving instructions on audit method and procedures to internal audit department.

Internal audit department of the Company shall report to the Committee. The adjustment and correction plan of all sorts of audit reports and audit issues and the status of adjustment and correction submitted to the management by the internal audit department as well as shall, at the same time, be submitted to the Committee.

4.4. Review of the Company's internal control and risk management regime and system, mainly including:

- (1) to review the Company's systems of financial controls, internal control and risk management regime and system; supervise the development and implementation of the Company's internal audit system, and to develop, review and monitor the code of conduct and compliance manual applicable to directors and other staff; to evaluate the completeness, reasonableness, appropriateness and effectiveness of the internal control and risk management regime and system of the Company;
- (2) to review the internal control examination and supervision report, self-assessment report of internal control and the report prepared by external auditors relating to the Company's annual audit, special audit, management proposal, internal control audit and other respects, and to discuss the problems identified and ways for improvement with the external auditors;
- (3) to oversee the effective implementation and self-evaluation of internal control and evaluate the results of assessment and audit of internal control, and supervise the ratification and improvement of internal defects; coordinate the internal control audit and other related matters;
- (4) to discuss the internal control and risk management system with the management to ensure that the management has established an effective system and the adequacy of the resources, staff qualifications and experience in terms of accounting and reporting functions and the sufficiency of training programs for the staff and the relevant budget;
- (5) to study major investigation findings on internal control and risk management matters as delegated by the Board or on its own initiative and management's response to these findings; and

- (6) where an internal audit function has been established in the Company, to ensure co-ordination 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.

4.5 Responsible for liaison between internal audit and external auditors, mainly including:

- (1) to coordinate the communication between the management with external auditors in respect of major audit issues;
- (2) to coordinate the communications between the internal audit department and external auditors as well as cooperation for the external audit work;
- (3) to review the external auditors' management advice letter to the management, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of internal control and management's response; to ensure the Board will provide a timely response to the issues raised in the external auditors' management advice letter to the management; and
- (4) to ensure that the work of the internal audit department and external auditors is coordinated and to ensure that the internal audit department has sufficient resources to operate within the Company with a proper standing, as well as to review and supervise whether the internal audit department of the Company is operating in an effective manner, and to supervise the Company's internal audit regime and its implementation.

4.6 Other powers and duties

- (1) to establish proper channels through which the staff of the Company can use, in confidence, to raise concerns about possible improprieties in relation to financial reporting, internal control and risk management or other matters, to examine such arrangements from time to time and to allow the Company to conduct fair and independent investigation of the matters and for appropriate follow-up actions;
- (2) to review the Company's financial and accounting policies and practices;
- (3) to review and monitor the Company's policies and practices in terms of compliance with legal and regulatory requirements;
- (4) to review the Company's compliance with the applicable corporate governance code, and the corporate governance report disclosed as required by the listing rules of the places where the shares of the Company are listed;
- (5) to report to the Board matters within the scope of powers and duties of the Committee, and to report to the Board the Committee's decisions or proposals, except for those which could not be reported pursuant to laws or regulatory restrictions;
- (6) to confirm the list of connected/related parties of the Company and report to the Board and the supervisory committee;
- (7) to take preliminary review on the connected transactions to be submitted to the Board for discussion and approval;
- (8) to review the rationality and necessity of material connected transactions;
- (9) to take responsibility for promoting the construction of the rule of law of the Company;

(10) to engage in other matters authorized by the Board; and

(11) to comply with other requirements as amended from time to time on the terms of reference of the Committee in the listing rules and relevant regulatory documents of places where the shares of the Company are listed.

5. Authority

5.1 The Committee shall be provided with sufficient resources to discharge all of its duties and be entitled to obtain sufficient support from the Company's senior management.

5.2 The Committee could engage, upon the authorization from the Board, intermediaries for professional advice for its decisions where necessary. The reasonable expenses arising therefrom shall be borne by the Company.

6. Others

6.1 At the invitation of the Chairman of the Board, the chairman of the Committee, or in his/her absence, another member of the Committee or his/her authorized representative shall attend the Company's annual general meeting and answer questions at the meeting.

6.2 When the Committee is not in session, in the event of major or special events, the Company's senior management could submit a written report to the Committee through the Secretary to the Board, and propose to the chairman of the Committee to hold a meeting for discussion of such events.

Note: Senior management refers to the President, Vice President, Chief Financial Officer, Secretary to the Board and other personnel that the Board may engage.