Terms of Reference for the Audit and Risk Committee of Angang Steel Company Limited*

CHAPTER 1 MEMBERSHIP

1. The members of the Committee shall be directors who do not hold the position of senior management in the Company and shall be non-executive directors. The Committee shall consist of not less than three members, a majority of whom should be independent non-executive directors of the Company, and at least one of whom should be a director with professional accounting qualifications. Employee representatives of the Board of the Company can be members of the Committee.

2. Each appointment to the Committee shall be for a period of 3 years and shall be the same as the term of a directorship appointment.

CHAPTER 2 CHAIRMAN

3. The chairman of the Committee (hereinafter referred to as the "Chairman") should be an independent director with professional accounting qualifications.

4. The Chairman shall chair the meetings of the Committee.

5. In the absence of the Chairman, the remaining members present shall elect one of themselves to chair the meetings of the Committee.

6. The Chairman shall attend the annual general meeting of the Company and be prepared to respond to any question from the shareholders on the Committee's activities.

CHAPTER 3 SECRETARY

7. The Company secretary shall be the secretary of the Committee (hereinafter referred to as the "Secretary").

8. The Secretary or his/her delegate shall attend meetings of the Committee to take minutes.

9. In the absence of the Secretary, the members present at the meeting shall elect another person as the Secretary.

CHAPTER 4 AUTHORITY

10. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

11. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

CHAPTER 5 DUTIES

12. The duties of the Committee shall be:

    (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

    (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards;

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(vii) the Company's profit distribution plan and loss recovery plan.

(e) regarding (d) above:

(i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to review the Company's financial controls, internal control as well as risk management systems, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems at least annually;

(g) to discuss the risk management and internal control systems with management and to ensure that management has performed its duty to have effective internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

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

(i) where an internal audit function exists, 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;

(j) to review the group's financial and accounting policies and practices;

(k) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the reasonable matters in these terms of reference;

(n) to consider other topics, as defined by the Board;

(o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(p) to act as the key representative body for overseeing the Company's relations with the external auditor;

(q) to guide and promote the legal construction and compliance management of the enterprise, and oversee the performance of duties of the management in managing enterprise according to law and compliance management;

(r) to oversee the appointment and removal of the person in charge of the enterprise audit department and put forward relevant opinions;

(s) to appoint or remove the financial officer of a listed company;

(t) to oversee the establishment and operation of the enterprise risk management system and internal control system;

(u) to formulate and implement the enterprise internal audit system, risk management system and monitoring system;

(v) to evaluate the completeness and operational effectiveness of the audit system;

(w) to exercise other powers conferred by the Articles of Association, the general meeting and the Board.

13. The Committee shall exercise the powers of the supervisory committee in accordance with the Company Law:

(a) to examine the financial affairs of the Company;

(b) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;

(c) to demand rectification from a director or senior management when the acts of such persons are detrimental to the interests of the Company;

(d) to propose the convening of extraordinary general meetings and to summon and preside over general meetings when the Board fails to perform the duty of summoning and presiding over general meetings under the Company Law;

(d) to submit proposals to the general meeting;

(f) initiate proceedings against directors and senior management in accordance with the Company Law;

(g) other powers as prescribed by laws, administrative regulations, securities regulatory authorities, and the Articles of Association.

CHAPTER 6 QUORUM

14. The quorum of a meeting shall be over two-thirds of the members. A resolution made by the Committee shall be approved by more than half of the members of the Committee. The voting on the resolutions at the meetings of the Committee shall adopt one vote per person.

15. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute them accordingly. The relevant member of the Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Committee in which he/she and/or his/her associates have a material interest.

16. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

CHAPTER 7 FREQUENCY OF MEETINGS

17. The Committee shall convene at least one meeting each quarter. An extraordinary meeting may be convened when two or more members propose, or the convener deems it necessary.

18. The external auditors may request a meeting if they consider that one is necessary.

CHAPTER 8 ATTENDANCE AT MEETINGS

19. Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication.

20. Should any member of the Committee wish to attend a meeting through electronic communications, prior arrangements shall be made with the Secretary.

21. The chief financial officer, the head of internal audit (where an internal audit function exists), and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without executive Board members present.

CHAPTER 9 NOTICES OF MEETINGS

22. Meetings of the Committee shall be summoned by the Secretary at the request of any of its members.

23. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and to any other person required to attend:

    (a) in relation to the meetings of the Committee, at least 3 days before the date of the meeting;

    (b) in relation to all other meetings of the Committee, within a reasonable time prior to the date of the meeting.

    Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

24. Any member of the Committee shall be entitled, by notice to the Secretary, to include other matters relevant to the functions of the Committee in the agenda of a meeting of the Committee.

CHAPTER 10 MINUTES OF MEETINGS

25. The Secretary (or his/her delegate) in attendance at the meetings of the Committee shall minute in sufficient detail the proceedings and resolutions of all such meetings, including the names of those present and in attendance. The minutes should also include any concerns raised by any member of the Committee and/or dissenting views expressed.

26. Draft and final versions of minutes of the Committee meetings shall be sent to all Committee members for their comments and records respectively, in both cases within a reasonable time after the meeting. Members attending the meetings shall sign on the final version of the minutes of the meetings. Once they are agreed, the Secretary shall circulate the minutes and reports of the Committee to all members of the Committee and to all members of the Board.

27. Minutes of the Committee meetings shall be kept by the Secretary and shall be available for inspection by any member of the Committee or other members of the Board at any reasonable time on reasonable notice. The minutes shall be kept for not less than ten years.

CHAPTER 11 REPORTING RESPONSIBILITIES

28. The Chairman of the Committee shall report formally to the Board on proceedings after each meeting on all reasonable matters within its duties and responsibilities.

29. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its authority where action or improvement is needed.

CHAPTER 12 OTHERS

30. The Committee shall have access to sufficient resources in order to perform its duties. In the event that the Committee determines that it has insufficient resources, it may make a request for additional resources to the Chairman. If the request for additional resources is denied, the Committee may, if it chooses, make a request to the Board through the Secretary. The Board shall convene a Board meeting as soon as reasonably practicable to consider the request.

31. All members of the Committee shall have access to the advice and services of the Secretary with a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed.

32. In the event that the Committee or any member of the Committee requires access to independent professional advice in connection with its/his/her duties, a request may be made to the Secretary. All such requests shall be processed in accordance with the Company's pre-defined procedures for seeking independent professional advice at the Company's expense.

33. At the expense of the Company, every newly appointed member of the Committee shall be given a comprehensive, formal and tailored induction on the first occasion of his/her appointment, and subsequently such briefing and professional development as is necessary, to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/ her responsibilities as a member of the Committee.

34. Every member of the Committee shall give sufficient time and attention to his/her duties as a member of the Committee. He/she shall give the Company the benefit of his skills and expertise through regular attendance and active participation.

35. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

36. These terms of reference shall take effect upon review and approval by the Board.

37. The Board is responsible for interpretation and amendment of these terms of reference.

Angang Steel Company Limited*
Board of Directors

* *For identification purposes only*