

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 to be responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating the internal and external audits and internal control, and exercising the powers and functions of the supervisory committee as stipulated in the Company Law.

2. Membership

- 2.1 The Committee shall comprise three to five members, all of whom shall be non-executive directors who do not serve as senior management within the Company, and the majority of whom shall be independent non-executive directors. The chairman of the Committee shall be an accounting professional among the independent non-executive Directors. Members of the Committee shall possess the expertise and experience enabling them to fulfill the duties of the Committee.
- 2.2 Members of the Committee shall be nominated by the Chairman of the Board, not less than 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 in charge of the work of the Committee. The chairman of the Committee should be an accounting professional. The decision of appointing and removing the chairman 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, at least 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, the vice chairman of the Committee or 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 not less than 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 (the Audit Risk Department) of the Company could attend the meetings of the Committee. Other directors, senior management, heads of other relevant departments and related personnel including representatives of external auditors and legal advisors may be also invited by the Committee to attend such meetings when necessary.
- 3.4 External auditors may be invited by the Committee to be present and communicate 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 minutes of meetings of the Committee shall be recorded by the specific personnel assigned 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 of the Company 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 duties and authorities of the Committee include:

4.1 Proposing the engagement 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; shall not be improperly influenced by the substantial shareholders, de facto controllers or directors, senior management of the Company; 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 replace 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 resolution(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 of the external auditors 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 and make recommendations on any matters where action or improvement is needed; and
- (5) to supervise and assess the external auditors to be honest, trustworthy, diligent and responsible, strictly abide by business rules and industry self-regulatory norms, strictly implement internal control systems, verify and validate the Company's financial and accounting reports, fulfill special duty of care, and prudently express professional opinions.

4.2 Reviewing the Company's financial reports and issuing its opinion thereon, 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 of the Company;

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;

- (iv) 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;
 - (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 financial reports.

4.3 Monitoring and evaluating of the Company's internal audit work, mainly including:

- (1) to instruct and supervise the establishment and implementation of the internal audit regime;
- (2) to review the Company's annual internal audit plan;
- (3) to supervise the implementation of the internal audit plan;
- (4) to instruct on the effective functioning of the internal audit department, including giving instructions on audit method and procedures to the internal audit department. The internal audit department of the Company shall report to the Audit and Risk Management Committee. Various audit reports and the plan and situation of rectification of audit issues submitted to the management by the internal audit department shall be submitted to the Audit and Risk Management Committee at the same time.

- (5) to report to the Board the progress and quality of the internal audit work, and the material issues identified.

Unless otherwise provided by laws and regulations, the Committee shall supervise the internal audit department to conduct inspections of the following matters at least once every half a year, issue inspection reports and submit them to the Committee. If it is found that the Company is in breach of the laws and regulations or has operating irregularities, it shall promptly report to the Shanghai Stock Exchange:

- (i) The implementation of major events such as the utilisation of proceeds raised, provision of guarantees, related party transactions, securities investment and derivatives transactions, provision of financial assistance, purchase or sale of assets, and external investments by the Company;
- (ii) The Company's capital transactions of large amount and capital transactions with Directors, senior management, controlling shareholders, de facto controllers and their related parties.

The Committee shall, based on the internal audit report and relevant information submitted by the internal audit department, issue a written assessment of the effectiveness of the Company's internal control and report to the Board.

The internal audit department of the Company shall report to the Audit and Risk Management Committee at least once a quarter, including but not limited to, the implementation of the internal audit plan and problems found in the internal audit work. An internal audit work report shall be submitted to the Audit and Risk Management Committee after the end of each year.

- (6) to coordinate relations of the internal audit department with external auditors such as auditors and national audit authorities.

4.4. Monitoring and evaluating the Company's internal control, mainly including:

- (1) to review the Company's systems of financial controls, internal control and risk management regime and system; to supervise the development and implementation of the Company's internal audit system, and to develop, review and monitor the code of conduct and internal control manual applicable to directors and other staff; to evaluate the completeness, reasonableness, appropriateness and effectiveness of the internal control 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 evaluate the results of assessment and audit of internal control, and supervise the ratification and improvement of internal control defects;
- (4) to discuss the internal control and risk management system with the management to ensure that the establishment of an effective internal control system by the management, the discussion shall include 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; to supervise the effectiveness and self-assessment of internal control, and to coordinate internal control and audit as well as other related matters;
- (5) to study major investigation findings on internal control and risk management matters on its own initiative or as delegated by the Board 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 Coordinating liaison among the management, the internal audit and other relevant departments 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 The exercise of the functions and powers of the supervisory committee stipulated in the Company Law mainly includes:

- (1) to check the financial condition of the Company;
- (2) to monitor the performance of duties by Directors and senior management, propose dismissal of such Directors and senior management as in breach of the laws, administrative regulations, the Articles of Association or the resolutions of general meetings;
- (3) to require Directors and senior management to make corrections in the event that their conduct has damaged the interests of the Company;
- (4) to propose the convening of extraordinary general meetings and, in the event that the Board does not perform the obligations to convene and preside over the general meetings, to convene and preside over the general meetings;
- (5) to submit proposals to the general meetings;
- (6) to initiate legal proceedings against Directors and senior management in accordance with the provisions of Article 189 of the Company Law;
- (7) other functions and powers as stipulated by the Articles of Association.

4.7 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 monitor the Board's implementation of its cash dividend policy and shareholder return plan, as well as the fulfillment of relevant decision-making procedures and information disclosure. If it is discovered that the Board has failed to strictly implement its cash dividend policy and shareholder return plan, failed to strictly comply with relevant decision-making procedures, or failed to disclose relevant information truthfully, accurately, and completely, it shall urge the Board to make prompt corrections;
- (3) to review the Company's financial and accounting policies and practices;
- (4) to review the legal and regulatory compliance of the directors and senior management in the performance of their duties, exercising other powers and functions stipulated in the Articles of Association, and protecting the legitimate rights and interests of the Company and its shareholders; if the Directors or senior management are found to have violated laws and regulations, relevant regulations of the stock exchange where the Company's shares are listed or the Articles of Association, they shall notify the Board or report to the general meeting, and make the disclosure in a timely manner, or directly report to the regulatory authority;
- (5) to organize and conduct post-evaluation of investment projects in accordance with relevant regulations;
- (6) to review and monitor the Company's policies and practices in terms of compliance with legal and regulatory requirements;
- (7) 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;
- (8) to report to the Board matters within the scope of powers and duties of the Committee, and to report to the Board on the Committee's decisions or proposals, except for those which could not be reported pursuant to laws or regulatory restrictions;

- (9) to confirm the list of connected/related parties of the Company and report to the Board;
- (10) to take preliminary review on the related/connected transactions to be submitted to the Board for discussion and approval;
- (11) to review the rationality and necessity of material connected transactions;
- (12) to take responsibility for promoting the construction of the rule of law of the Company;
- (13) to engage in other matters authorized by the Board of the Company; and
- (14) 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 If the Committee deems necessary, it may engage intermediaries to provide professional advice for its decision-making, and the reasonable expenses so incurred shall be paid 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 that need to be submitted to the Committee for consideration, the Company's senior management could propose to the chairman of the Committee to hold a meeting for discussion of such events through the Secretary to the Board.

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