

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 China Railway Construction Corporation Limited. In case of any discrepancies or inconsistencies between the Chinese and English versions, the Chinese version shall always prevail.



中国铁建
中國鐵建股份有限公司

China Railway Construction Corporation Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1186)

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

1. ROLE

The Committee is established by the Board and shall be responsible to the Board and report its work to the Board.

The Committee is mainly responsible for proposition of the engagement and replacement of the Company's external audit firm; supervision of the Company's internal audit system; liaison, supervision and inspection of the Company's internal and external audit; review of financial information and the disclosure thereof; review of the internal control system; formulation of the Company's risk management strategies and solutions, risk control, management, supervision and assessment of major decision-makings, important events, and key business procedures, and etc.

2. MEMBERSHIP

2.1 The Committee shall be composed of three to five non-executive Directors, the majority of whom shall be independent non-executive Directors. All members of the Committee shall have professional knowledge and business experience for the performance of the duties of the Committee, and at least one of the independent non-executive Directors shall possess appropriate professional qualifications or have appropriate accounting or financial management expertise.

- 2.2 The Committee shall have one chairman, who shall be an independent non-executive Director possessing professional experience in relation to accounting or financial management, responsible for leading the work of the Committee. The candidates for the members, as well as for the chairman of the Committee, shall be proposed by the Chairman of the Board, after discussion with relevant Directors, to the Board for consideration and approval.
- 2.3 A former partner of the accounting firm which is now responsible for auditing the Company's accounts shall be prohibited from acting as a member of the Committee for a period of two years commencing from the date his ceasing:
- (1) to be a partner of the firm;
 - (2) to have any financial interest in the firm, whichever is the later.

3. POWERS AND DUTIES

- 3.1 The Committee shall, on behalf of the Board, independently assess and supervise the compliance, legality, and effectiveness of the Company's economic activities. The Committee shall supervise and assess the work of external audit firm, guide internal audit work, review and give opinions on the financial reports of the Company, evaluate the effectiveness of risk management and internal control and coordinate communications among the management, internal audit department and relevant departments, and the external audit firm, so as to promote the corporate governance under the rule of law. It shall mainly exercise and perform the following specific powers and duties, and shall report to the Board the following matters:
- (1) to provide recommendations to the Board on the engagement or replacement of an external audit firm, to review the audit fee and engagement terms of the external audit firm, and to deal with any issues relating to the resignation or the dismissal of the external audit firm.
 - (2) to evaluate the independence and professionalism of the external audit firm, particularly the influence of non-audit services provided by an external audit firm on its independence; to review and monitor whether the external audit firm is independent and objective and whether the audit procedure is effective.
 - (3) to discuss and communicate with the external audit firm on audit scope, audit plan, audit method and major matters found in the audit and before the commencement of the audit work, to discuss with the audit firm in advance such relevant issues as the nature and scope of the audit, and relevant reporting obligations.

- (4) to formulate and implement policies on the non-audit services provided by the external audit firm, and to report and make recommendations to the Board on any matters where action or improvement is needed.
- (5) to coordinate communications between the management and external audit firm on material audit matters.
- (6) to serve as the key representative body for overseeing the Company's relations with the external audit firm.
- (7) to supervise and evaluate whether the external audit firm has fulfilled its duty diligently.
- (8) to guide the internal audit work of the Company which shall include at least the following aspects:
 - (i) to review the annual internal audit plan of the Company;
 - (ii) to supervise the implementation of the internal audit plan of the Company;
 - (iii) to review the internal audit reports, evaluate the results of internal audit work and supervise the rectification of material matters;
 - (iv) to guide and supervise effective operation of the internal audit department.
- (9) to review and give opinions on the financial reports, financial statements and regular reports of the Company, which shall include at least the following aspects:
 - (i) to review the financial statements, annual reports and accounts, interim reports and quarterly reports of the Company and to review the major opinions on the financial reporting contained in statements and reports, and to give opinions on the truthfulness, completeness and accuracy of financial reports;
 - (ii) to focus on major accounting and audit matters of the Company's financial reports, including adjustments to material accounting errors, any changes in accounting policies and estimates, any changes in accounting practices, issues involving significant accounting judgments, significant adjustments resulting from audit, the going concern assumptions and any qualifications, the compliance with accounting standards, and matters resulting in a failure to receive standard unqualified opinion audit reports, etc.;

- (iii) to pay special attention to the possibilities of fraud, corrupt practice and material misstatements relating to financial reports;
 - (iv) to supervise the rectification of financial reporting matters;
 - (v) whether the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and laws on financial reporting have been complied with.
- (10) with respect to Item (9) above:
- (i) members of the Committee shall liaise with the Board and senior management of the Company and the audit firm engaged by the Company and the Committee shall meet with the Company's independent external audit firm at least twice a year;
 - (ii) 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 accountant, financial personnel, internal auditor, or the supervision personnel, or the audit firm engaged.
- (11) to evaluate the effectiveness of internal control, which shall at least include the following aspects:
- (i) to evaluate the adequacy of the design of the internal control system;
 - (ii) to review the self-evaluation reports on internal control;
 - (iii) to review the internal control audit reports issued by external audit firm, as well as the matters and improvement measures formulated after communication with the external audit firm;
 - (iv) to evaluate the internal control assessment and audit results, and supervise the rectification of deficiencies in internal control.
- (12) to examine the Company's financial controls, risk management and internal control systems.

- (13) to discuss the risk management and internal control systems with management to ensure that management has performed its duty of establishing effective risk management and internal control systems; This discussions hall include the adequacy of the resources, staff qualifications and experience, and whether the training programmes and budget of the Company's accounting and financial reporting function; to oversee the effective implementation and self-evaluation of internal control and coordinate with the internal control audit as well as other related matters.
- (14) on its own initiative or as delegated by the Board, to consider major investigation findings on risk management and internal control matters and the feedback thereon by management to these findings.
- (15) to be responsible for coordinating the communication between the internal audit department and the external audit firm and the cooperation for external audit, so as to ensure coordination of their work; to ensure that the internal audit department has sufficient resources for its operations and ensure that the internal audit department has the appropriate status in the Company; and to examine and monitor whether the internal audit are effective.
- (16) to examine the Company 's financial and accounting policies and practice.
- (17) to examine the Letters of Explanation of Review Matters submitted to management by the external audit firm, any major doubts with respect to the accounting records, financial accounts or monitoring system raised with management by the audit firm and the responses given thereto by management.
- (18) to ensure that the Board timely gives feedback on the matters raised by the external audit firm in the Letters of Explanation of Review Matters.
- (19) to ensure and review in a timely manner arrangements staff of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions.
- (20) to submit the annual report on overall risk management to the Board.
- (21) to consider the Company's risk management strategies and the solutions for major risk management.

- (22) to consider the judgment criteria or the judgment mechanism related to major decision-makings, major risks, major events and important business procedures, as well as the risk assessment report of major decisions.
- (23) to consider the comprehensive report on the supervision, assessment and audit of risk management submitted by the internal audit department.
- (24) to consider the establishment of the risk management organizations, and proposals of their responsibilities.
- (25) to work out the list of the Company's related or connected persons and report to the Board and the Supervisory Committee; and to conduct a preliminary review of the related or connected transactions to be submitted to the Board for consideration.
- (26) to coordinate and promote the corporate governance under the rule of law, to receive the work reports of legal compliance, and to supervise whether the plan of "building CRCC under the rule of law" has been effectively implemented.
- (27) to report to the Board its decisions or recommendations, except those which cannot be reported according to the laws or regulatory restrictions.
- (28) other matters requested by the Board.
- (29) other relevant requirements for the powers and duties of the Committee according to the listing rules of the place where the shares of the Company are listed as amended from time to time.

3.2 The Committee shall examine and supervise the independence of the external audit firm in accordance with the procedure below:

- (1) consider all relationships between the Company and the audit firm(including non-audit services);
- (2) ask for information from the audit firm annually, and get to know the policies and procedures adopted by the audit firm for maintaining its independence and with respect to the implementation of relevant supervision rules, including the rules on replacement of the partner and staff of the audit firm;

- (3) meet with external audit firm for separate communication without the attendance of the management at least once a year to discuss the matters related to audit fees, any matters arising from the audit work and other matters raised by the audit firm. The secretary of the Board may attend the meeting as an observer.
- 3.3 The Committee shall report and make recommendations to the Board on the necessary measures to be adopted and matters to be improved.
- 3.4 The Committee shall oversee the risk management and internal control systems of the Company on behalf of the Board on an ongoing basis and shall ensure that a review on the effectiveness of the risk management and internal control systems of the Company and its subsidiaries is conducted at least annually. Matters to be reviewed shall cover all material aspects of the risk management and internal control, including financial control, operating control, compliance control and, in particular, the following matters:
 - (1) the changes in the nature and extent of significant risks as well as the ability of the Company to respond to changes in its business and the external environment since the review in the preceding year;
 - (2) the scope and quality of the ongoing monitoring of risks and internal control systems by the management and the work of departments of various functions with respect to the risk management and internal control systems such as the internal audit department and the internal control and risk management department;
 - (3) the extent and frequency of the communication of monitoring results to the Board or the Committee by the management;
 - (4) the significant control failings or weaknesses that have been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, material impact on the financial performance or conditions of the Company;
 - (5) the effectiveness of the procedures taken by the Company for financial reporting and the compliance with the requirements under the Listing Rules of the Stock Exchange.

4. MEETINGS

- 4.1 The Committee's meetings are in the form of regular meetings and interim meetings. At least four regular meetings of the Committee shall be held every year. Meetings shall be presided over by the chairman of the Committee. When the chairman of the Committee fails or refuses to perform the duties, a Committee member concurrently an independent non-executive director shall be designated to perform the duties instead.
- 4.2 The Committee's meetings shall be convened with the attendance of two-thirds or more of the members.
- 4.3 The Committee may invite the relevant personnel including representatives of the external audit firm, the Company's supervisors, senior management members, internal auditors, financial personnel and legal consultants to attend the meeting as deemed appropriate to provide necessary information. If necessary, the Committee may also invite the intermediaries to attend the meeting and provide professional opinions on its decision-makings, and shall sign a confidentiality agreement with them. All the expenses caused thereby shall be borne by the Company.
- 4.4 Voting at the Committee's meetings shall be by ballot or by a show of hands and each member shall have one vote. The resolutions adopted at the meetings shall be approved by more than half of all members. Any member of the Committee who has a conflict of interest in any agenda item shall abstain from the meeting. In the event that no valid opinions can be formed through deliberation due to the abstention of a member, the matters shall be considered directly by the Board.
- 4.5 The resolutions passed at the Committee's meetings and the voting results shall be submitted to the Board of the Company in writing.
- 4.6 Minutes of the Committee's meetings shall be made. Members and other personnel attending the meetings shall sign the minutes. The full and complete meeting minutes shall be kept by the work unit of the Committee and made available for inspection by Directors at any time.

The first draft of the Committee meeting minutes shall be provided to all members for review as soon as possible and members shall provide written amendment suggestions. The final draft of the meeting minutes shall be finished within a reasonable time after the meetings and shall be sent to all the members for record.

5. OTHER PROVISIONS

- 5.1 An intermediary may be engaged to provide professional opinions if the Committee deems it necessary. The Company shall provide necessary funds and other resources to the Committee for performing its duties. These funds and other resources shall be used for:
- (i) the remuneration of the external audit firm for provision of such services as financial audit, examination or verification;
 - (ii) all expenses necessary for the Committee to engage external professional consultant;
 - (iii) necessary or proper administrative expenses for the Committee to perform its duties.
- 5.2 The Committee shall respond to the invitation by the Chairman of the Board and have the chairman of the Committee (or, where the chairman is unable to be present, another member or his or her authorized representative) attend each annual general meeting and answer questions raised thereon.
- 5.3 Where the Board of the Company does not accept the opinions of the Committee on the engagement, renewal of the engagement or dismissal of the external audit firm, the Company shall present in the Corporate Governance Report the Committee's statement on its recommendations, as well as the reasons why the Board disagrees.

Note: The senior management refers to the President, Vice President(s), the Chief Accountant, the Chief Engineer, the Chief Economist, and the Secretary to the Board, all of whom are engaged by the Board and other personnel who may be engaged by the Board.