



中国通号

中國鐵路通信信號股份有限公司

China Railway Signal & Communication Corporation Limited*

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

(Stock Code: 3969)

**Terms of Reference of the Audit and Risk Management Committee
under the Board of Directors of China Railway Signal & Communication
Corporation Limited**

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to perfect the decision-making procedures of the Board of Directors of China Railway Signal & Communication Corporation Limited (the “**Company**”), fully safeguard the legal interests of the Company and its shareholders, and improve the corporate governance structure of the Company, the Board of Directors has established the Audit and Risk Management Committee and promulgated these terms of reference in accordance with the *PRC Company Law* (the “**Company Law**”), the *Standards on Corporate Governance of Listed Companies* (上市公司治理準則), the *Management Measures for Independent Directors of Listed Companies* (《上市公司獨立董事管理辦法》) issued by the China Securities Regulatory Commission, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**HKEX Listing Rules**”), and the *Articles of Association of China Railway Signal & Communication Corporation Limited* (hereinafter referred to as the “**Articles of Association**”) and other relevant rules.

Article 2 The Audit and Risk Management Committee is a special working body set up by the Board of Directors pursuant to the Articles of Association. It shall be mainly responsible for advising on the engagement and replacement of the external auditors, supervising the internal audit of the Company, communicating, supervising and verifying internal and external audit of the Company, reviewing financial information and its disclosure, reviewing risk management and internal system, reviewing risk management strategies and solutions of the Company, controlling, managing, supervising and evaluating the risk of major decisions, major events and major business procedures.

* For identification purpose only.

CHAPTER 2 COMPOSITION AND ORGANIZATION

Article 3 The Audit and Risk Management Committee shall comprise three non-executive directors, the majority of which shall be independent non-executive directors, and at least one of which shall be an accounting professional. The members of the committee shall be recommended by the chairman of the Board of Directors after discussion with relevant directors subject to consideration and approval by the Board of Directors.

Article 4 The Audit and Risk Management Committee shall have one chairman who shall be an accounting professional among the independent non-executive directors in charge of the work of the Committee. The chairman shall be nominated by the chairman of the Board of Directors and appointed by the Board of Directors. The main powers and duties of the chairman are as follows:

- (i) convening and presiding over regular and ad-hoc meetings of the committee;
- (ii) determining the procedures of each meeting of the committee;
- (iii) signing material documentation of the committee;
- (iv) ensuring that the committee reaches a clear conclusion to each proposal which includes passed, rejected and supplementary materials needed for further deliberation;
- (v) other powers and duties provided in these terms of reference.

Article 5 All members of the Audit and Risk Management Committee shall possess the expertise and business experience enabling them to fulfil the duties of the Audit and Risk Management Committee. The Company shall arrange members of the Audit and Risk Management Committee to participate in related trainings to timely obtain expertise required for discharge of their duties in respect of laws, accounting, and regulation standards of listed companies.

Article 6 The terms of office of the members of the Audit and Risk Management Committee shall be in conformity with that of their directorship. Members may be re-elected or re-appointed at the expiry of their terms of office.

No members shall, before the expiration of his/her term of office, be removed from office without reason except for the circumstances that require dismissal as stipulated in the laws and regulations, the Articles of Association or these terms of reference.

If any member ceases to be a director of the Company or cannot continue to be a director under other circumstances before the expiry of his/her term of office, he/she shall be automatically disqualified from acting as a committee member, and such vacancy shall be filled by the Board of Directors pursuant to Article 3 of these terms of reference.

Any change in the membership of the Audit and Risk Management Committee shall be announced in accordance with the regulatory requirements at the places where the Company's shares are listed.

Article 7 A member of the Audit and Risk Management Committee may concurrently serve as a member of other special committees under the Board of Directors, provided that such member is able to concurrently perform such duties.

Article 8 A former partner of the Company's existing accounting firm should be prohibited from acting as a member of the Audit and Risk Management Committee for a period of 2 years from the date of his/her ceasing:

- (a) to be a partner of the firm;
- (b) to have any financial interest in the firm, whichever is later.

Article 9 The internal audit department of the Company is a supporting and associated department under the Audit and Risk Management Committee and is responsible for such daily work as meeting notice, preparing meeting documents, daily contact with the chairman of the Audit and Risk Management Committee, preparing and reporting meeting minutes and meeting resolutions. The office of the Board of Directors is responsible for the specific work including keeping meeting minutes and meeting resolution, jointly preparing for and organizing meetings with supporting and associated department under the Audit and Risk Management Committee. The secretary of the Board of Directors is responsible for coordinating the work among the Audit and Risk Management Committee, the supporting and associated department under the Audit and Risk Management Committee, and the office of the Board of Directors and presenting at the meeting of the Audit and Risk Management Committee.

CHAPTER 3 DUTIES AND RESPONSIBILITIES

Article 10 The Audit and Risk Management Committee shall make an independent evaluation and supervision as to the compliance, legality and effectiveness of the economic activities of the enterprise on behalf of the Board of Directors. The primary duties of the Audit and Risk Management Committee are as follows:

- (i) proposing to the Board of Directors on the engagement, renewal or replacement, termination of the external auditors, approving, reviewing and approving the audit fees and terms of engagement of the external auditors and dealing with any issues concerning resignation or dismissal of such auditors, adopting appropriate measures to supervise the external auditors and reviewing the report from the external auditors;
- (ii) reviewing and monitoring the independence and objectivity of the external accounting firm and the effectiveness of the audit procedures in accordance with applicable standards, discussing with the external auditors on the nature, scope and relevant reporting responsibilities of the audit before the audit commences;
- (iii) formulating and implementing policies on the provision of non-audit services by the external auditors. and the committee shall report to the Board of Directors and make relevant suggestions on the actions to be adopted or matters to be improved as it may deem necessary;
- (iv) acting as the main representative between the Company and the external auditors to be responsible for supervising the relationship between them.
- (v) reviewing and supervising the integrity of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, major opinions on financial reporting contained in the statements and reports. The Audit and Risk Management Committee shall particularly review the below matters before submitting the relevant statements and reports to the Board of Directors:
 - 1. any changes in the accounting policies and practices;
 - 2. major judgemental areas;
 - 3. significant adjustments resulting from the audit;

4. the going concern assumptions and any qualifications;
5. compliance with accounting standards;
6. compliance with laws and requirements on financial reporting under HKEX Listing Rules.

(vi) In order to fulfill the obligations under paragraph (v) of this Article:

1. Members of the committee shall liaise with the Board of Directors, senior management and the employed auditors; the members of the committee shall at least hold two meetings with the external auditors every year;
2. Members of the committee shall take into consideration any significant or unusual items that are, or may need to be, reflected in the financial reports and accounts, and shall give due consideration to any matters that have been raised by the Company's staff responsible for financial function, internal audit or supervision or the external auditors.

(vii) reviewing the financial control, internal control and risk management system of the Company and constantly reviewing the implementation of the system; ensuring that the effectiveness of the risk management and internal control systems of the Company and its subsidiaries is reviewed at least once a year;

(viii) reviewing the Company's compliance with its applicable corporate governance code and reviewing the corporate governance report as required by the regulatory rules at the places where the Company is listed;

(ix) discussing the risk management and internal control system with the management to ensure that the management has established an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Supervising the effective implementation and self-assessment of internal control and coordinating internal control audit and other relevant issues;

(x) considering any findings of major investigations on risk management and internal control matters as delegated by the Board of Directors or on its own initiative and management's response;

- (xi) supervising the formulation and implementation of the internal audit system, managing and directing important matters such as internal audit plans, key tasks and rectification and implementation, supervising the organization and implementation of annual audit plans and tasks, studying major audit conclusions and rectification and implementation work, evaluating the effectiveness of the work of the internal audit organization, reviewing the internal audit quality assessment reports, and reporting the relevant situations to the Board of Directors or submitting them to the Board of Directors for deliberation in a timely manner;
- (xii) providing guidance on the construction of illegal operation and investment accountability system, and researching, deploying and guiding the key work of promoting illegal operation and investment accountability;
- (xiii) ensuring the coordination between the internal audit department and external auditors, ensuring that the internal audit department has possessed sufficient resources to be operated and has an appropriate position; reviewing and supervising the effectiveness of the operation of the internal audit department; making recommendations to the Board of Directors on the adjustments to the person-in-charge of the audit department;
- (xiv) making recommendations to the Board of Directors on the appointment or dismissal of the Company's financial controller;
- (xv) reviewing the financial, accounting policies and practices of the Company;
- (xvi) inspecting the Letter of Audit Results (《審核情況說明函件》) issued to the management by the external accounting firms, any material queries about accounting records, financial accounts or control system made to the management by the external accounting firms and the replies made by the management;
- (xvii) ensuring the timely response of the Board of Directors to any matters raised in the Letter of Audit Results (《審核情況說明函件》) issued by the external accounting firms;
- (xviii) ensuring the Company has established suitable channels for employees to report or raise any concerns, in confidence, about possible inappropriateness in financial reporting, internal control or other matters, and review relevant arrangements from time to time, which are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (xix) submitting the annual report on overall risk management to the Board of Directors;

- (xx) considering the Company's risk management strategies and the solutions for major risk management; to review and monitor the Company's policies and practices on the compliance with legal and regulatory requirements;
- (xxi) confirming the list of the Company's related/connected persons and report to the Board of Directors;
- (xxii) considering 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;
- (xxiii) considering the evaluation report on the internal control submitted by the internal audit department;
- (xxiv) considering the establishment of the risk management organizations, and proposals of their responsibilities;
- (xxv) supervising and controlling the risk of being affected by overseas sanction laws, to ensure timely, complete and accurate disclosure of information on the transactions sanctioned by overseas sanction laws;
- (xxvi) supervising the rectification of issues identified by internal and external auditors, state-owned assets supervision, and special inspections and checks, and promoting the application of outcomes;
- (xxvii) supervising the behaviours of Directors and senior management in the performance of their duties, requesting them to rectify their behaviours when it is detrimental to the interests of the enterprise, and making recommendations on the accountability or dismissal of Directors and senior management who have violated the laws, administrative regulations, the state-owned assets supervision system, the Articles of Association, the resolutions of the shareholders' meeting, or the resolutions of the Board;
- (xxviii) proposing the initiation of litigation against Directors and senior management whose performance of duties have violated the provisions of laws, administrative regulations, the state-owned assets supervision system or the Articles of Association and caused losses to the enterprise in accordance with the relevant provisions of the Company Law;
- (xxix) proposing to the shareholders' meeting, proposing to the Board of Directors to convene an extraordinary shareholders' meeting, and convening and presiding over the shareholders' meeting when the Board of Directors fails to fulfill its duties of convening and presiding over the shareholders' meeting;

- (xxx) reporting on the relevant matters within its scope of responsibility to the Board of Directors; and to report to the Board of Directors its decisions or recommendations, except those which cannot be reported according to the laws or regulatory restrictions;
- (xxxi) studying other topics as defined by the Board of Directors;
- (xxxii) other functions and powers granted by the Board of Directors;
- (xxxiii) other relevant requirements for the powers and duties of the Committee according to the regulatory rules of the places where the shares of the Company are listed as amended from time to time.

Where any opinion on a matter within its terms of reference presented by the Audit and Risk Management Committee is not adopted by the Board of the Directors, the Company shall make information disclosure on such matter and give full description on the reasons therefor.

Article 11 The Board of Directors shall obtain the approval of a majority of all members of the Audit and Risk Management Committee before making a resolution on the following matters:

- (i) disclosing financial information in financial accounting reports and periodic reports, internal control reports;
- (ii) appointing and dismissing the accounting firm undertaking the Company's audit;
- (iii) appointing or dismissing of the Company's financial controller;
- (iv) changing accounting policy, accounting estimate or correcting material accounting errors occurring for reasons other than a change in accounting standard;
- (v) Other matters as stipulated by laws and regulations, relevant regulations of the stock exchange and the Articles of Association.

Article 12 The Audit and Risk Management Committee is to be provided with sufficient resources to discharge its duties and may source supports from the Company's relevant departments or personnel according to work requirements. If necessary, the Audit and Risk Management Committee may also engage independent intermediaries to advise on its decision-makings at the reasonable cost of the Company.

Article 13 The Audit and Risk Management Committee shall examine and supervise the independence of the external auditors in accordance with the procedure below:

- (i) studying all relations between the Company and the audit firm (including non-audit services);
- (ii) asking for information from the audit firm every year, and get to know the policies and procedures adopted by the audit firm for keeping 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;
- (iii) meeting the external auditors firm without the presence of the management at least twice a year to discuss the matters related to audit expenses, any matters incurred due to the audit work and other matters proposed by the audit firm.

Article 14 The Audit and Risk Management Committee shall be accountable to the Board of Directors. The motions raised by the Audit and Risk Management Committee shall be submitted for the review and approval by the Board of Directors, unless otherwise authorized by the Board of Directors.

Article 15 In performing its duties under Article 10 of these terms of reference, the Audit and Risk Management Committee has no obligation for planning and implementing audit activities or for ensuring the Company's financial reports are complete and accurate or for preparation of the financial reports. The management of the Company shall be responsible for preparation of the financial reports whereas the accounting firm shall be responsible for the audit of the Company's financial reports.

Article 16 At the invitation of the chairman of the Board of Directors, the chairman of the Audit and Risk Management Committee, or in his/her absence, another member of the committee or his/her authorized representative, shall attend the Company's annual shareholders' meeting and answer questions.

Article 17 The Audit and Risk Management Committee shall make available these terms of reference, explaining its role and the authority delegated to it by the Board of Directors by including them on the Company's website and Stock Exchange's website according to the relevant regulatory rules of the places where the shares of the Company are listed.

CHAPTER 4 RULES OF PROCEDURES

Article 18 Meetings of the Audit and Risk Management Committee can be classified into regular meetings and interim meetings. The Audit and Risk Management Committee shall hold at least one regular meeting once a quarter.

Article 19 The Audit and Risk Management Committee shall hold an interim meeting if proposed by the chairman of the committee, more than two members of the committee, or the Board of Directors or the chairman of the Board of Directors.

Article 20 A notice shall be given to all members of the Audit and Risk Management Committee and relevant materials and information shall be provided by the supporting department three days prior to the convening of a meeting. In case of emergency that requires the committee to convene a meeting as soon as possible, the committee may give a notice of the meeting on that day by phone, fax, or e-mail, but the chairman of the committee must give an explanation at the meeting.

Article 21 A meeting of the Audit and Risk Management Committee shall be presided over by the chairman. If the chairman fails to attend the meeting, he or she shall designate one member, who shall be an independent non-executive Director, to preside over the meeting.

Article 22 A meeting of the Audit and Risk Management Committee shall not be held unless attended by more than two-thirds of its members. Members of Audit and Risk Management Committee shall attend the meeting in person or in a manner of teleconference or by aid of similar communication equipment. If he/she fails to attend the meeting for any reason, he/she may appoint another member in writing to attend the meeting on his/her behalf, which shall specify the scope and term of the authorization. Each member may act as proxy for a maximum of one member only. If a member, being an independent non-executive Director, is unable to attend the meeting in person, he/she may authorize another member who is an independent non-executive Director to attend the meeting on his/her behalf.

Article 23 If a meeting of the Audit and Risk Management Committee is held, it may request senior management and internal and external auditors of the Company to attend and answer questions of concern. Opinions deliberated by the Audit and Risk Management Committee shall be submitted to the Board of Directors for consideration in accordance with relevant regulations and procedures.

Article 24 The voting of the committee meetings shall be taken by poll or show of hands. Each member shall have one vote. Resolutions passed at the meeting must be approved by a majority of all members of the committee. Should a member of the committee have any conflict of interest with respect to any matters discussed at a meeting, he or she shall withdraw from the meeting. When a valid opinion cannot be formed by deliberation due to the withdrawal, the relevant matter shall be deliberated by the Board of Directors directly.

Article 25 A meeting of the Audit and Risk Management Committee may be held by way of written resolutions. Written resolutions shall be dispatched by facsimile, courier or by hand or otherwise to all members, and shall be returned in original copies to the Company for filing after deliberation by the members. A proposal signed by consenting members satisfying the threshold hereunder shall become a valid resolution of the committee.

Article 26 The procedures for convening the meetings of the Audit and Risk Management Committee, the voting method and the resolutions passed at such meeting shall be in compliance with the provisions of the relevant laws, regulations, the Articles of Association and these terms of reference.

Article 27 Resolutions passed at the meeting of the Audit and Risk Management Committee and any vote results shall be reported to the Board of Directors in writing.

Article 28 Persons participating in the meeting of the Audit and Risk Management Committee shall undertake confidentiality obligations for all items discussed at the meeting and shall not disclose any information in relation to the meeting unless authorized by the chairman of the Board of Directors or the Board of Directors.

Article 29 Where the Board of Directors disagrees with the Audit and Risk Management Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit and Risk Management Committee explaining its recommendation and also the reason(s) why the Board of Directors has taken a different view.

Article 30 The supporting department of the Audit and Risk Management Committee shall record complete minutes. Members of the committee who attend the meeting shall sign on the minutes. The supporting department shall submit the minutes to the Board of Directors office of the Company for filing in a manner in line with the Company's file management system for the inspection of directors at any time.

CHAPTER 5 WORKING PROCEDURES

Article 31 The supporting department under the Committee shall be responsible for the preparation work for the decision of the committee by providing the following information of the Company in written form:

- (i) relevant financial reports of the Company;
- (ii) working reports of the internal auditors;
- (iii) contracts of the external auditors and relevant working reports;
- (iv) reports on the annual risk management;
- (v) assessment reports on material risks and decisions;
- (vi) assessment reports on the internal control system of the Company and its implementation;
- (vii) audit reports of major connected transactions of the Company; and
- (viii) other relevant matters.

Article 32 The Audit and Risk Management Committee shall evaluate reports provided by the supporting department and submit relevant written resolutions to the Board of Directors for discussion.

Article 33 The internal auditors shall submit internal audit work reports to the Audit and Risk Management Committee after the end of the annual and interim periods. The internal auditors shall truthfully reflect the internal control deficiencies and problems in implementation identified during the inspection in the internal audit work reports and follow up after reporting to the Audit and Risk Management Committee to ensure that the relevant departments have taken appropriate improvement measures in a timely manner.

Article 34 Where the Company engages or replaces its external accounting firm, the Audit and Risk Management Committee shall form an opinion on relevant matters and propose a resolution to the Board of Directors for further consideration.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 35 Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

Article 36 Any matters not covered by these terms of reference or in the event that these terms of reference are inconsistent with the laws, regulations, listing rules of the places where the Company's shares are listed, or the Articles as promulgated or amended through legal procedures from time to time after these terms of reference become effective, such laws, regulations, listing rules of the the places where the Company's shares are listed, or the Articles shall prevail and these terms of reference shall be amended forthwith and submitted to the Board of Directors for approval.

Article 37 After consideration and approval by the Board of Directors, these terms of reference shall become effective. The original "Terms of Reference of the Audit and Risk Management Committee under the Board of Directors of China Railway Signal & Communication Corporation Limited" (China Communication Signal Director's Office [2024] No. 36) (中國鐵路通信信號股份有限公司董事會審計與風險管理委員會工作細則》(中國通號董辦[2024]36號)) shall be repealed at the same time.

Article 38 Interpretation of these terms of reference shall be interpreted by the Board of Directors.