

Zhuzhou CRRC Times Electric Co., Ltd.

**Implementation Rules and
Regulations of the Audit Committee**

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ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

Implementation Rules and Regulations of the Audit Committee

CHAPTER 1 GENERAL PROVISIONS

Article 1

In order to strengthen the decision-making function of the board of Zhuzhou CRRC Times Electric Co., Ltd. (the “Company”), to achieve prevention and professional audit and to ensure the effective supervision by the board of directors on the management as well as improving the Company’s corporate governance structure, the board of directors of the Company specifically established the Audit Committee of the board of directors and formulated these rules in accordance with the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Measures for the Administration of Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》), Guideline for Self Regulation of Companies Listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange No. 1 – Standardised Operation (《上海證券交易所科創板上市公司自律監管指引第1號—規範運作》), the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the above listing rules are hereinafter referred to as the “Listing Rules of Listing Places”) and other relevant laws, administrative regulations, regulatory documents as well as the requirements of the Articles of Association of Zhuzhou CRRC Times Electric Co., Ltd. (the “Articles of Association”).

Article 2

The Audit Committee is a body specifically established by the board of directors in accordance with the resolution of the shareholders’ general meeting, which is mainly responsible for auditing the Company’s financial information and relevant disclosure, monitoring and evaluating internal and external audits and internal controls, and shall be accountable to the board of directors.

CHAPTER 2 COMPOSITION

- Article 3** The Audit Committee shall be composed of at least three members, who shall be directors who do not hold senior management positions in the Company, and a majority of the members shall not hold positions in the Company other than as directors and shall not have any relationship with the Company that may affect their independent and objective judgment. All members of the Audit Committee shall be non-executive directors, with a majority of independent non-executive directors, and at least one of the independent non-executive directors shall be an accounting professional. Employee representative directors of the board members may serve as members of the Audit Committee.
- Article 4** The members of the Audit Committee shall be nominated by the chairman of the board, more than half of the independent non-executive directors or more than one-third of all directors and be elected by the board of directors.
- Article 5** The Audit Committee shall have a chairman (convener) who must be an independent non-executive director and shall be in charge of the Audit Committee's works. Such independent non-executive director shall be an accounting professional. The chairman shall be elected by more than half of all members of the Audit Committee and the election of which shall become effective after the result has been reported to, and approved by, the board of directors.
- Article 6** The term of office of the Audit Committee member shall be consistent with his term as a director. Upon the expiration of his/her term, a member may serve a consecutive term if re-elected. Where a member ceases to be a director of the Company during the term or a member who should be an independent non-executive director ceases to have the independence required by the Listing Rules of Listing Places, the Articles of Association and the Administrative Measures for Independent Directors of Listed Companies, his/her membership shall be terminated automatically and the replacement shall be appointed by the board of directors in accordance with Articles 3 to 5 above. In the event that a member submits a resignation or the proportion of independent directors on the Committee does not meet the requirements of relevant laws and regulations or the Articles of Association, the Company shall complete a by-election within 60 days to ensure that the composition of the Committee meets the requirements of laws and regulations and the Articles of Association, and the term of office of the replacement member shall end at the expiry of the term of office of such member as a director.

Article 7

A working team shall be established under the Audit Committee as the day-to-day working organization, responsible for, among others, daily work liaison and meeting organization.

Article 8

The finance center and the audit and risk control department of the Company are the supporting and liaison departments of the Audit Committee, responsible for the daily work liaison and meeting organization. The responsibilities of the supporting and liaison departments include but are not limited to:

- (i) Responsible for the daily operation of the Committee;
- (ii) Arranging the meetings of the Committee and responsible for the minutes of the meetings;
- (iii) Responsible for the preliminary preparation for decision-making by the Committee, reviewing materials submitted to the Committee for consideration, and ensuring that the management submits reports and meeting documents to the Committee in an appropriate manner;
- (iv) Coordinating and arranging for members to attend or sit in on relevant meetings of the Company and conducting research and study;
- (v) Assisting members to obtain relevant information and requesting management to provide relevant information and materials;
- (vi) Responsible for the coordination between the Committee and other committees of the Company;
- (vii) Other duties assigned by the Committee.

Article 9

At the request of the Committee, members of the supporting and liaison departments may sit in on the meetings of the Committee. If necessary, the Committee may also invite directors, senior management or heads of relevant departments of the Company, as well as representatives of external auditors, legal advisers and other relevant persons to sit in on the meetings of the Committee.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 10

The terms of reference of the Audit Committee shall comply with the relevant requirements of the Listing Rules of Listing Places, including:

- (i) Proposed engagement or replacement of external auditor and monitoring and evaluating the work of external auditor, mainly including:

1. to propose to the board of directors to engage, renew or replace, or remove the external auditor, to approve and review the audit fees and terms of engagement of the external auditor, and handle any matters in relation to resignation or removal of the external auditor, take appropriate measures to oversee the work of the external auditor, review the report of the external auditor, and ensure the ultimate accountability of the external auditor to the board of directors and the Audit Committee.

The board of directors may only consider a proposal to engage or replace an external auditor after the Audit Committee has formed a deliberative opinion and made a recommendation to the board of directors.

2. to review and 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. to obtain data annually from the external auditor to understand the policies and procedures adopted by the external auditor with respect to maintaining its independence and in monitoring the implementation of relevant rules, including provisions for rotation of audit partners and staff;
4. to 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;

5. to formulate and implement policies regarding the provision of non-audit services by an external auditor (including any entity that is under common control, ownership or management with the company responsible for the audit, or any entity that a third party with reasonable knowledge of all relevant information would reasonably conclude to be part of the local or international operations of the company responsible for the audit); the Audit Committee shall report to the board on any matters requiring action or improvement and make recommendations thereon;
 6. to supervise and assess the work of the external auditors and whether they are diligent and responsible.
- (ii) Review of the Company's financial information and its disclosure, mainly including:
1. to review and monitor 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 Audit Committee shall pay close attention to the following matters:

- (1) significant accounting and auditing issues in the Company's financial reports, including but not limited to significant adjustments resulting from the audit, any changes in accounting policies and practices, matters involving significant judgment, matters resulting in a non-standard unqualified audit report and other matters;
- (2) the going concern assumptions and any qualifications;
- (3) compliance with accounting standards;

- (4) compliance with laws, regulations and the Listing Rules of Listing Places in relation to financial reporting;
 - (5) whether there is possibility of fraud, corrupt practices and material misstatement in relation to the financial reports.
- 2. In order to fulfill the duties and responsibilities mentioned above,
 - (1) members of the Audit Committee shall liaise with the board of directors and senior management. The Audit 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 of directors may attend the meeting as an observer;
 - (2) the Audit 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 accounting and financial personnel, internal audit personnel or external auditors;
- 3. to supervise the rectification and improvement of the problems in relation to the Company's financial reports.
- (iii) Guiding, supervising and evaluating the Company's internal audit work, 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 guidance on audit method and procedures to internal audit department.

5. Internal audit department of the Company shall report to the Audit Committee. All kinds of audit reports, the plan for rectification of audit issues and the status of rectification submitted by the internal audit department to the management shall be submitted to the Audit Committee at the same time.
- (iv) Review of the Company's internal control system, mainly including:
1. to assess the appropriateness of the design of the Company's internal control system;
 2. to review the internal control self-evaluation report;
 3. to review the internal control audit reports issued by external auditors and communicate with the external auditors about the problems identified and ways of improvement;
 4. to assess the results of internal control assessment and audit and supervise the rectification of internal control deficiencies.
- (v) Overseeing the Company's financial reporting system, risk management and internal control systems, mainly including:
1. to review the Company's financial controls;
 2. to discuss with the management on risk management and internal control systems to ensure that management has fulfilled its duties to establish effective systems. The discussion shall include the adequacy of the Company's resources, staff qualifications and experience in the accounting and financial reporting functions, as well as the adequacy of training programs received by staff and relevant budgets;
 3. to examine, on its own initiative or at the board of directors' request, significant findings on risk management and internal control matters and management's response to those findings.

(vi) Responsible for coordinating communication between internal management, the internal audit department and relevant departments and the external auditors, mainly including:

1. to act as the primary representative between the Company and the external auditors, coordinate the communication between the management and the external auditors on major audit issues, and monitor the relationship between the two;
2. to coordinate the communication between the internal audit department and the external auditors and coordinate the external audit work;
3. to review the external auditors' Audit Information Letter to the management, any material queries raised by the external auditors to the management regarding accounting records, financial accounts or internal control system and management's response; and ensure that the board responds in a timely manner to matters raised in the external auditors' Audit Information Letter to management.
4. The Audit Committee shall ensure the coordination of the works between the internal audit department and the external auditors; and shall also ensure that the internal audit department is provided with sufficient resources to operate within the Company and has an appropriate position; and shall review and monitor the effectiveness of operation of the Company's internal audit department and oversee the Company's internal audit system and its implementation.

(vii) Other duties, mainly including:

1. appointment or dismissal of the person in charge of finance of the Company;
2. to ensure that the Company has appropriate channels for employees to report or raise concerns, in confidence, about possible misconduct in financial reporting, internal control or other matters, and review from time to time the arrangements for fair and independent investigation of such matters by the Company and for appropriate follow-up actions;
3. to review the Company's financial and accounting policies and practices;
4. to review and monitor the Company's policies and practices with respect to compliance with legal and regulatory requirements;

5. to review the Company's compliance with the applicable corporate governance code and review the corporate governance reports required to be disclosed under the Listing Rules of Listing Places;
6. to report to the board of directors on matters within the terms of reference of the Audit Committee; and report to the board of directors on decisions or recommendations made by the Audit Committee, except to the extent that legal or regulatory restrictions prevent such reporting;
7. to collect and confirm the list of related/connected parties of the Company and report to the board of directors;
8. to conduct preliminary review of related/connected transactions that shall be submitted to the board of directors for consideration and approval;
9. to review the reasonableness and necessity of material related/connected transactions;
10. to report to the board of directors of the Company on matters covered by Chapter 3 of these rules;
11. other matters as may be delegated by the board of directors of the Company;
12. to amend other relevant requirements on the terms of reference of the Audit Committee from time to time in accordance with the Listing Rules of Listing Places and relevant regulatory documents.

Article 11

The following matters shall be submitted to the board of directors for consideration after being approved by a majority of all members of the Audit Committee:

- (i) disclosure of financial information in the financial accounting reports and regular reports, and internal control assessment reports;
- (ii) appointment or dismissal of the accounting firm responsible for the audit of the listed company;
- (iii) appointment or dismissal of the person in charge of finance of the Company;
- (iv) changes in accounting policies, accounting estimates or correction of material accounting errors for reasons other than changes in accounting standards;
- (v) other matters as stipulated by laws, administrative regulations, requirements of the CSRC, the Listing Rules of Listed Places and the Articles of Association.

The Audit Committee under the board of directors shall review the financial accounting reports of the listed company, comment on the truthfulness, accuracy and completeness of the financial accounting reports, focus on significant accounting and auditing issues in the financial accounting reports of the Company, pay special attention to whether there is any possibility of fraud, fraudulent acts and material misstatement in relation to the financial accounting reports, and supervise the rectification of the issues in the financial accounting reports.

The Audit Committee shall make recommendations to the board of directors on the engagement or change of external auditors, review the audit fees and terms of engagement of the external auditors, and shall not be subject to any undue influence by the Company's substantial shareholders, de facto controllers, or directors and senior management.

The Audit Committee shall urge the external auditors to act honestly, diligently and responsibly, strictly comply with the operating rules and self-regulatory rules of the industry, strictly implement the internal control system, verify and validate the Company's financial accounting reports, fulfill the duty of special care and prudently express professional opinions.

Article 12

The Audit Committee shall be accountable to the board of directors. The proposals of the Committee shall be submitted to the board for consideration and decision. The Audit Committee shall exercise the powers and functions of the supervisory committee as prescribed by the Company Law.

The Audit Committee shall report the implementation of the works for the previous year and the working plan for the current year to the board at the annual board meeting.

Where the board of directors disagrees with the Audit Committee's opinion on matters relating to the proposed engagement, renewal or replacement or removal of the external auditor, the Company shall include in the Corporate Governance Report a statement from the Audit Committee setting forth its recommendation and the reasons why the board of directors holds a different opinion.

The internal audit department of the Company shall submit internal audit work reports to the Audit 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 Committee to ensure that the relevant departments have taken appropriate improvement measures in a timely manner. The Audit Committee shall provide guidance on internal audit work and review the internal audit work reports submitted by the internal audit department.

The board of directors or the Audit Committee shall assess the establishment and implementation of the Company's internal controls based on the internal audit work reports of the Company and related information, and form an internal control assessment report. The board of directors shall form a resolution on the internal control assessment report of the Company while considering matters such as the annual financial report.

CHAPTER 4 DECISION-MAKING PROCEDURES

Article 13

The Audit Committee is authorized to carry out activities within its terms of reference and has the right to request information it needs from all departments, divisions and subsidiaries of the Company. The working term is responsible for making preparations for the decision-making by the Audit Committee and for collecting and providing written information on the Company's audits:

- (1) relevant financial reports of the Company;
- (2) work plans and work reports of internal and external auditors;
- (3) external audit contracts and relevant work reports;
- (4) relevant work reports on the Company's internal control system and its implementation;
- (5) external disclosure of information by the Company;
- (6) audit reports on material connected transactions of the Company;
- (7) other relevant information.

Article 14

The meetings of the Audit Committee shall discuss and consider the reports and materials submitted by the working team, and shall submit its relevant written resolutions to the board of directors for its discussion:

- (1) appraisal on the performance of the external auditors, and the appointment and replacement of the external auditors;
- (2) whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are true in all aspects;
- (3) whether the information disclosed publicly by the Company is objective and true, and whether the material connected transactions of the Company are in compliance with the relevant laws and regulations;
- (4) appraisal on the performance of the internal financial department and audit department (including the persons-in-charge);
- (5) other relevant matters.

CHAPTER 5 RULES OF PROCEDURE

Article 15 The meetings of Audit Committee can be classified into regular meetings and extraordinary meetings.

Article 16 The Audit Committee shall meet at least once every quarter. Regular meetings shall be convened with three days' notice to all members and sufficient meeting materials, but the aforementioned notice period may be waived with the unanimous consent of all members. The meeting shall be chaired by the chairman of the Committee, who may delegate an independent non-executive director who is a member of the Committee to chair the meeting if he/she is unable to attend the meeting.

Article 17 The chairman of the Committee shall issue a notice of the extraordinary meeting within three days from the date of occurrence of any of the following circumstances:

- (1) when proposed by the board of directors;
- (2) when proposed by the chairman of the Committee;
- (3) when proposed by two or more members of the Committee;
- (4) when proposed by the chairman of the board.

The securities and legal department shall send the notice of the meeting and relevant meeting information to all members three days prior to the extraordinary meeting according to the instruction of the chairman of the Committee, but the aforementioned requirements on notice time and procedures may be waived with the unanimous consent of all members.

Article 18 Notice of the meeting shall include:

- (1) the place, date, time and manner of convening the meeting;
- (2) the agenda of the meeting and the matters to be discussed and related information;
- (3) the contact person and contact information of the meeting;
- (4) the date of the notice.

- Article 19** Notice of the meeting may be given by hand, fax, registered mail, email or other means as provided for in the Articles of Association.
- Article 20** Members of the Audit Committee shall attend the meetings in person with a diligent and responsible attitude and express their clear opinions on the matters for consideration. If a member is unable to attend a meeting for any reason, he or she shall review the meeting materials in advance and form a clear opinion, and appoint another member to attend and express his or her opinion and exercise his or her voting rights on his or her behalf. Each member shall be appointed by a maximum of one member. If an independent non-executive director member is unable to attend the meeting in person for any reason, he or she shall appoint another independent non-executive director member to attend the meeting on his or her behalf.
- Article 21** If a member of the Audit Committee appoints another member to attend the meeting on his or her behalf, he or she shall submit a power of attorney signed by the member to the presiding person. The power of attorney shall specify the name of the principal, the scope, authority and duration of the power of attorney, and shall be submitted to the presiding person no later than the time of the meeting.
- Article 22** The meeting of the Audit Committee shall be held with at least two-thirds of the members present; each member shall have one vote; and the resolution made at the meeting shall be passed by more than half of all members.
- Article 23** When discussing issues that are related to or of significant interest to the members of the Audit Committee, the relevant member shall recuse himself/herself from the meeting. If the effective deliberative opinion cannot be formed due to the recusal of members of the Committee, the relevant matters shall be considered directly by the board of directors.
- Article 24** Voting at the meeting of the Audit Committee shall be taken by a show of hands or by ballot. If necessary, the meeting may also be held by written correspondence under the premise of guaranteeing the full expression of members' opinions.
- Article 25** Members of the working team may sit in on the meetings of the Audit Committee and, if necessary, directors, senior management, representatives of external auditors, internal audit personnel, financial personnel, legal advisors and other relevant personnel may be invited to sit in on the meetings and provide necessary information.

- Article 26** The Company shall provide the Audit Committee with sufficient resources to perform its duties. When the members exercise their authority, the relevant personnel of the Company shall actively cooperate, shall not refuse, obstruct or conceal, and shall not interfere with the exercise of their authority. If necessary, the Audit Committee may engage intermediaries to provide independent professional advice for its decision-making at the Company's expense.
- Article 27** The procedures for convening the meetings of the Audit Committee, the voting methods and the resolutions passed at the meetings must comply with the requirements of relevant laws and regulations, the Articles of Association, the Listing Rules of Listing Places and these rules.
- Article 28** The Audit Committee shall keep minutes for its meetings. Draft and final versions of minutes of the Audit Committee meetings shall be sent to all members of the Committee for their comment and records respectively within a reasonable time after the meeting. The members of the Committee who attended the meeting shall sign on the minutes. The minutes of the meetings shall be kept by the secretary to the board of directors.
- Article 29** Resolutions passed at and voting results of the meetings of the Audit Committee shall be reported to the board of the Company in writing.
- Article 30** Members present at the meetings shall have an obligation to keep all matters discussed in such meetings confidential, and shall not disclose relevant information without authorization.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

- Article 31** Unless otherwise stated, terms used in these rules shall have the same meanings as those terms in the Articles of Association.
- Article 32** Any matters not covered by these rules shall be implemented in accordance with the provisions of the relevant national laws and regulations, the Listing Rules of Listing Places and the Articles of Association. Should these rules conflict with the relevant national laws and regulations, the Listing Rules of Listing Places coming into effect after the Rules Effective Date or the Articles of Association amended after the Rules Effective Date through lawful procedures and implemented subsequently, the relevant national laws and regulations, the Listing Rules of Listing Places and the Articles of Association that become effective after the Rules Effective Date shall prevail, and these rules shall be revised in due course and the revision shall be reported to the board for consideration and approval.
- Article 33** These rules and amendments thereto shall be effective from the date of passing the resolution of the board of directors of the Company.
- Article 34** These rules shall be interpreted by the board of directors of the Company.

Zhuzhou CRRC Times Electric Co., Ltd.

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