



馬 鞍 山 鋼 鐵 股 份 有 限 公 司
Maanshan Iron & Steel Company Limited

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

(Stock Code: 00323)

**WORKING RULES OF THE AUDIT COMMITTEE
UNDER THE BOARD OF DIRECTORS OF
MAANSHAN IRON & STEEL COMPANY LIMITED**

Note : This document is drafted in Chinese and English translation is for your reference only. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.

**Working Rules of the Audit Committee under the
Board of Directors of Maanshan Iron & Steel Company Limited**

Chapter 1: General Provisions

Article 1: The board of directors (the “Board”) of the Company established the Audit Committee and formulated the Working Rules in accordance with the Code of Corporate Governance for Listed Companies, the Listing Rules of the Hong Kong Stock Exchange, A Guide for Effective Audit Committee issued by the Hong Kong Institute of Certified Public Accountants and the Articles of Association of Maanshan Iron & Steel Company Limited (the “Articles of Association”) for the purpose of improving corporate governance structure and minimizing the risks of decision-making.

Article 2: The Audit Committee shall be accountable to the Board, and its terms of reference shall be determined at the plenary meeting of the Board.

Chapter 2: Composition

Article 3: The Audit Committee shall be composed of independent directors, of whom at least one shall have appropriate professional qualifications in accounting or related financial management expertise. Committee members shall undertake same legal liability as that of other directors.

Article 4: Members of the Audit Committee shall be proposed by the Chairman and elected by the Board.

Article 5: The Audit Committee shall have a chairman who, after being elected by the Committee, shall be appointed or removed by the Board. The chairman of the Committee shall convene and preside over meetings of the Audit Committee, and be responsible for communication with the Board, the Company’s management, the qualified accountant, the Audit Department and the external accounting firm.

Article 6: The Secretary to the Board shall concurrently serve as secretary to the Committee.

Article 7: The term of office for a member of the Audit Committee shall be consistent with that for an independent director, being three years for each term. If a Committee

member is reappointed consecutively as an independent director of the Company upon expiry of his term of office, he may be reappointed consecutively as a member of the Audit Committee after being elected by the Board, but for a maximum term of not more than six years.

Article 8: Any member of the Audit Committee may be dismissed by the Board if:

- (1) he tenders a written application for resignation;
- (2) he is unsuitable to continue to serve as a member of the Audit Committee due to changes to his position during his term of office;
- (3) he is involved in gross misconduct or in violation of the provisions of the laws, regulations, the Articles of Association or the Working Rules during his term of office; or
- (4) other circumstances which the Board considers that he is not fit to continue to take up the position.

Chapter 3: Duties

Article 9: To assess the independence and the rationality of the services, fees and terms of employment of the external accounting firm; to propose the appointment or replacement of the external accounting firm; and to express its views on relevant issues to the Board.

Article 10: To formulate policies for the provision of non-audit services by the external accounting firm and ensure the implementation of the same; and to report to the Board on any action or improvement that must be taken in respect of such matters, and to make recommendations.

Article 11: To oversee the internal audit system of the Company and its implementation for evaluating the effectiveness of the operation of the Company's Audit Department.

Article 12: To acquire an understanding of the scope of audit of the Company's Audit Department and the external accounting firm to ensure all major risks have been taken into account; to maintain good and independent communications with the

management, the Audit Department and the external accounting firm of the Company; and to acquire an understanding of the roles and responsibilities of each participants in the audit.

Article 13: To review the financial information of the Company and the disclosure thereof. The review shall focus on significant accounting policies, judgments and estimates, information disclosure, extraordinary items, significant audit adjustments, going-concern assumption, compliance with accounting standards, compliance with the provisions of the relevant financial reporting, major concerns of the external accounting firm, differences in significant unadjusted audit, consistency of financial information and so forth.

The Committee shall discuss and communicate with the external accounting firm in considering the annual report. If it approves the financial statements, the Committee shall sign thereon before submitting the same to the Board.

Article 14: To oversee the Company's financial management, the implementation of internal control and risk management systems to make sure the Company has adequate internal controls and risk management procedures in place; and to review significant connected transactions of the Company.

Article 15: To review the description of audit details given by the external accounting firm to the management, any significant questions raised to the management by the accountants on the accounting records, financial accounts or control system, and the feedback given by the management; and to ensure that the Board responses to the matters raised by the external accounting firm in the description of audit details above in a timely manner.

Article 16: To handle other matters as authorised by the Board of the Company.

Chapter 4: Rules of Proceedings

Article 17: Meetings of the Audit Committee shall include regular meetings and extraordinary meetings. At least four regular meetings shall be held each year, generally for discussions on relevant issues prior to finalization of quarterly, interim and annual reports. Extraordinary meetings shall be held by the Audit Committee on a case-by-case basis.

Article 18: The Office of the Secretary to the Board and the Department of Planning and Finance of the Company shall be responsible for making adequate preliminary preparations for Audit Committee meetings by providing the Audit Committee with necessary information to perform its duties.

Article 19: Notice of a regular meeting of the Audit Committee shall be given to all members seven days prior to such meeting, while the date of an extraordinary meeting shall be determined under the basis of ensuring that all the members are able to receive the notice and have reasonable time for making preparations. The meeting shall be chaired by the chairman of the Committee. If the chairman is unable to attend the meeting, he may delegate another Committee member to chair such meeting.

A meeting of the Audit Committee may be held only when more than two-thirds of the members are present thereat. Each member shall have one vote. Any resolutions made thereat shall be approved by a majority of all members.

Article 20: Voting at a meeting of the Audit Committee shall be made by a show of hands or by poll; an extraordinary meeting may be convened by voting through communication means

Article 21: Due to the need to discharge its duties, the Audit Committee may engage its own auditing, consulting and other intermediary agencies to provide professional advice, with the related costs to be borne by the Company. When necessary, it may invite external individuals with relevant professional experience to attend its meetings.

Article 22: The convening of the meetings of the Audit Committee, the procedures for convening thereof, and the voting and resolutions made thereat shall be in compliance with the relevant laws, regulations, the Articles of Association and the Working Rules.

Article 23: The executive directors and the external accounting firm of the Company shall, as required by the Audit Committee, sit in on the Committee meetings to answer relevant questions from the Committee members. The heads of the Audit Department and the Department of Planning and Finance shall, at the request of the Committee, attend the Committee meetings.

Article 24: In reviewing financial statements and annual, interim and quarterly reports of the Company, the Committee shall liaise with the Board and the senior

management of the Company as well as the qualified accountant. The Committee shall give due consideration to any matters raised by the qualified accountant, the head of the Audit Department or the external accounting firm.

Article 25: Prior to finalization of annual financial statements, the Audit Committee shall hold one meeting with the related executive directors of the Company without the presence of the external accounting firm thereat to acquire an understanding of the details about the financial statements and to ask questions.

The Audit Committee may hold a meeting with the Audit Department of the Company without the presence of the Company's management thereat.

Article 26: Prior to finalization of annual financial statements, the Audit Committee shall hold at least one meeting with the external accounting firm without the presence of the executive directors thereat to communicate with the external accounting firm over the audit work of financial statements.

Article 27: The Company shall disclose the following information in the annual report to its shareholders: a list of the members, the independence and the work carried out of the Audit Committee, the number of meetings and members' attendance of the meetings during the reporting period.

Article 28: The Audit Committee shall record minutes of meetings on which the members present thereat shall sign. The secretary to the Board shall ensure that the Committee has a complete set of records and is responsible for the minutes of meetings.

Article 29: The members present at a meeting shall have an obligation of confidentiality towards the matters discussed thereat. No members may divulge relevant information without authorization.

Chapter 5: Reporting Procedures

Article 30: The resolutions passed by the Audit Committee and the voting results thereof shall be submitted in writing to the Board of the Company for consideration and decision.

The Audit Committee shall submit to the Board a report on the work it carried out and the review results of the annual financial report on an annual basis. The report shall include the following particulars:

- (1) the details about the review of the quarterly, interim and annual financial statements;
- (2) an assessment of the work of the external accounting firm, including an evaluation of the quality of services, the reasonableness of the fees charged and the recommendations on the reappointment or replacement of the external accounting firm;
- (3) an assessment of the internal audit by the Company as to whether the internal audit system was effectively implemented, and whether the Company's financial report was comprehensive and truthful;
- (4) whether the Company's internal control and risk management systems were effectively implemented;
- (5) whether the financial information disclosed to the public by the Company was objective and truthful, and whether the significant connected transactions of the Company were in compliance with relevant laws and regulations;
- (6) an assessment of the work of the Department of Planning and Finance and the Audit Department (including their heads) of the Company; and
- (7) other related matters.

The Audit Committee may submit an interim report to the Board according to the circumstances.

Article 31: The Audit Committee shall circulate its minutes of meetings to the Board so that the Board is able to be informed of the recent work of the Committee in a timely manner.

Article 32: The reports and minutes of meetings to be submitted by the Audit Committee to the Board shall be formally approved by the Committee before they are submitted to the Board.

Chapter 6: Supplementary Provisions

Article 33: Any matters not covered hereunder shall be handled in accordance with the provisions of relevant laws and regulations of China as well as the normative documents of regulatory authorities.

Article 34: The Working Rules shall be construed and amended by the Board of the Company.

Article 35: The Working Rules shall come into force as of the date of consideration and approval by the Board of the Company.