



CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 01898)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE OF THE BOARD OF DIRECTORS

Article 1 Main duties of the Audit and Risk Management Committee of the board of directors (the “**Board**”) of China Coal Energy Company Limited (the “**Company**”) include:

- (1) to supervise and examine the financial management, risk management and internal control of the Company, and make recommendations to the Board regarding the relevant issues;
- (2) to make recommendations to the Board of the Company regarding the appointment of independent auditors and to supervise the work of the independent auditors;
- (3) to review the completeness of Company’s financial statements, annual reports and accounts, interim reports and quarterly reports, and to review the financial reporting opinion contained in the statements and reports, and to review financial, major accounting policies and practices used in preparing financial statements, alternative treatments of financial information, the effectiveness of disclosure controls and procedures and major trends and developments in financial reporting practices and requirements;
- (4) to review the planning and staffing of internal audits, the composition, duties, plans, achievements, budget and personnel management of the internal audit team, as well as to examine the essential factors and effectiveness of the internal control system of the Company;
- (5) to review the risk assessment and management policies of the Company, assess the acceptable natures and degrees of risk of the Company when achieving its strategic goals, and ensure the construction of an effective risk management system;
- (6) to establish procedures for the treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters;
- (7) other matters authorised by the Board.

Article 2 Particular scope of work for the performance of the above duties by the Audit and Risk Management Committee includes:

- (1) to make recommendations to the Board concerning the appointment, re-appointment, remuneration and terms of appointment of the independent auditors, as well as to handle matters related to the resignation, dismissal and removal of the auditors;
- (2) to assess the independence and objectivity of the independent auditors, as well as the effectiveness of his auditing procedures, before the commencement of the audit;
- (3) to act as the channel of communication between the Company and the independent auditors and supervise the relationship between the two parties, to review the independent auditors' recommendations to the management regarding the audit and the auditors' major enquiries to the management concerning financial auditing, risk management, internal control and other aspects and to ensure the Board give timely responses to the above enquiries;
- (4) to formulate policies for the non-auditing service provided by the independent auditors, and supervise its implementation;
- (5) to pay special attention to the items below when reviewing regular reports of the Company:
 - (i) changes made to accounting policies and practices;
 - (ii) important accounting judgments;
 - (iii) important accounting adjustments;
 - (iv) any changes made to the Continuity (Going-Concern) Assumption;
 - (v) any qualified opinion of the independent auditors;
 - (vi) the compliance situation with the accounting standards, local and foreign listing rules of the places where the Company's shares are listed, as well as related legal provisions;
- (6) Regarding (5) above,
 - (i) The members of the Audit and Risk Management Committee should discuss with the Board and senior management of the Company, and meet the independent auditors at least twice a year;
 - (ii) The Audit and Risk Management Committee should pay attention to major or abnormal items reflected in the financial statements and account of the Company;
 - (iii) The Audit and Risk Management Committee should also pay attention to the issues suggested by the person in charge of the corporate finance, the person in charge of internal auditing, the person in charge of risk management and internal control and the independent auditors.

- (7) to listen to the internal audit working report of the Company and coordinate the work between the internal audit department and external independent auditors and ensure the independence and effective operation of the Company's internal audit;
- (8) to examine the risk management and internal control system of the Company, and ensure that management perform their duties earnestly, including:
 - (i) to listen to the working report regarding the risk management and internal control of the Company at least once a year;
 - (ii) to investigate the findings on the important risk assessment and internal control evaluation, and listen to the management's responses to these findings;
 - (iii) to review that the Company has enough resources for operating the system of risk management and internal control, and to have considerable independence and validity of supervision;
 - (iv) to review the relevant issues regarding the Company's risk management and internal control to be disclosed in the annual report of the Company before submitting to the Board for examination and approval;
 - (v) to consider matters in relation to improvement suggested by the management regarding risk management and internal control of the Company and, based on the deliberation, give opinions and recommendations to the Board.
- (9) to assess the sufficiency of qualification and experience of the employees responsible for accounting, financial management, risk management and internal control and ensure the Company provide necessary training to the employees;
- (10) to assess the effectiveness of the channel used in reflecting possible impropriety of employees of the Company concerning financial management, risk management and internal control or other aspects, and ensure that the Company be able to carry out a fair and independent investigation as well as appropriate actions regarding the above matters;
- (11) to report the above matters to the Board.

Article 3 The proposal of the Audit and Risk Management Committee shall be submitted to the Board for consideration and approval.