

DONGFENG MOTOR GROUP COMPANY LIMITED
(the “Company”)
(Incorporated in the People’s Republic of China with limited liability)
(Stock Code: 0489)

**RULES OF PROCEDURE OF THE
AUDIT AND RISK MANAGEMENT COMMITTEE OF
THE BOARD OF DIRECTORS**

Chapter 1 General

Clause 1 Dongfeng Motor Group Company Limited (hereinafter referred to as the “Company”) has established the audit and risk management committee hereinafter referred to as the “Committee”) of the board of directors (the “Board”) and formulated these rules of procedure in accordance with the Company Law of the People’s Republic of China, the articles of association of the Company (hereinafter referred to as the “Articles”) and other applicable rules such as the listing rules of the place where the Company’s shares are listed to strengthen the risk management and internal supervision of the Company, regulate internal auditing and ensure the compliance of financial management and accounting procedures with the laws and administrative regulations.

Clause 2 The Committee is a special working organization established by the Board to assist the Board in performing its duties. It shall be accountable to the Board. The committee shall perform its duties in accordance with the Articles, the Rules of Procedure of the Board of the Company and these rules of procedure.

**CHAPTER 2 COMPOSITION OF THE AUDIT AND RISK
MANAGEMENT COMMITTEE**

Clause 3 The Committee shall comprise three to five directors, a majority of whom shall be independent non-executive directors, and at least one of the independent non-executive directors shall have appropriate professional qualifications and experience in accounting or relevant financial management. The members of the Committee shall be nominated by the nomination committee for approval by the Board.

Clause 4 The Committee shall have a convenor, who shall be an independent non-executive director and shall be in charge of convening meeting and the work of the Committee. The convenor shall be nominated by the nomination committee and elected by the Board upon consideration and approval.

Clause 5 The former partner of the auditing firm participating in auditing the accounts of the Company shall not be a member of the Committee within two years since the following dates, whichever is the later:

- (1) the date he ceased to be the partner of such auditing firm; or
- (2) the date he ceased to enjoy the financial benefits of such auditing firm.

Clause 6 The term of office of the Committee shall be the same as that of the Board. Members of the Committee may serve consecutive terms if re-elected upon the expiry of their terms of office.

Clause 7 Any member of the Committee may resign before the expiry of his/her term of office by submitting a written resignation to the Board, stating reasons for resignation and necessary explanations for matters to be brought to the attention of the Board.

Clause 8 If any member of the Committee resigns from the position of director of the Company during his term of office, he shall ipso facto and immediately cease to hold the position of Committee member. The vacancy shall be filled by the Board in accordance with Clauses 3 to 4 above, which shall be approved by the shareholders' general meeting pursuant to the relevant procedures as stipulated in the Articles and make public announcement pursuant to the requirements of the listing rules in the place where the Company's shares are listed.

Clause 9 If the number of members of the Committee falls below the number provided in Clause 3 due to circumstances described in Clauses 6 or 7, the Board shall fill the vacancy in accordance with Clause 3.

Clause 10 The Committee shall have an office to handle its daily matters. The office shall be established under the audit department of the Company and is responsible for liaison, arrangement of meetings, minutes taking, documentation and filing. The head of the office of the Committee shall be nominated by the general manager of the audit department.

CHAPTER 3 DUTIES AND AUTHORITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Clause 11 The following are the major duties and authorities of the Committee:

- (1) providing advice and recommendation to the Board on the appointment or replacement of intermediary firms such as auditors and their remuneration;

- (2) reviewing the financial reports of the Company, accounting policy of the Company and its changes, and other financial documents that require approval of the Board, and making suggestions to the Board;
- (3) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (4) have to meet the auditors at least once a year without the presence of the management to discuss about the audit fee, issues arising from the auditing work and other matters suggested by the auditor;
- (5) evaluating and determining the nature and degree of risk that the Company is willing to accept when achieving its strategic objectives, reporting and making suggestions to the Board;
- (6) reviewing the systems for financial control, risk management and internal control of the Company, and discussing the risk management and internal control system with the management to ensure the management has performed their duties to establish an effective system;
- (7) considering the annual report of risk management and internal control assessment of the Company, and making suggestions to the Board;
- (8) taking the initiative or responding to the appointment of the Board of Directors to conduct a research in relation to the important investigation result of risk management and internal control and the response to the investigation result from the management;
- (9) coordinating the communication and work of internal and external auditors;
- (10) ensuring sufficient resources provided to and appropriate standing for the internal audit department within the Company, and reviewing and monitoring the efficiency of the internal audit department;
- (11) reviewing the following arrangements of the Company which the employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for a fair and independent investigation of such matters and for appropriate follow-up actions;

(12) complying with any new requirements on the duties and authorities of the Committee under the requirements and the listing rules of the places where the Company is located and where the shares of the Company are listed;

(13) other duties as authorized by the Board.

Clause 12 The Committee shall be provided with sufficient resources to perform its duties.

Clause 13 The Committee may engage external experts or intermediary firms to provide independent opinion for the performance of its duties when necessary at the cost of the Company.

CHAPTER 4 MEETINGS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Clause 14 Meetings of the Committee include regular meetings and extraordinary meetings. Regular meetings shall be convened at least twice a year, and the time and resolutions of the meeting shall be in accordance with the annual working plan of the Committee.

An extraordinary meeting shall be convened within seven days if:

- (1) the Board or the chairman of the Board deems necessary;
- (2) the convener of the Committee deems necessary;
- (3) two or more members of the Committee propose; or
- (4) the external auditor and internal audit department of the Company deems necessary.

Clause 15 A notice shall be given to all members of the Committee seven days prior to a regular meeting, while a notice shall be given to all members of the Committee three days prior to an extraordinary meeting.

Clause 16 The resolutions of the Committee shall be prepared by the convener of the Committee according to requirements of the Board, proposals by two or more members of the Committee or proposals by the president. The proposals shall be in written form and submitted to the office of the Committee or the office of the secretary to the Board. The office of the secretary to the Board shall collect and file the written proposals.

Clause 17 The office of the secretary to the Board shall prepare and deliver the notices of meetings and the office of the Committee shall provide support to the secretary. The notice of meeting shall be delivered to all members of the Committee through email, facsimile, speed post, registered post or by hand.

The members of the Committee shall promptly acknowledge receipt of the notice of the meeting and reply (including but not limited to whether to attend the meeting and schedule).

The notice of meeting shall contain the date, time, venue, session, agenda, resolutions and the date of the notice.

Materials for meeting and list of attendees shall be prepared, delivered and verified in accordance with the instructions of the convener of the Committee.

Clause 18 The meeting of the Committee shall be convened by way of physical meeting as far as practicable. It may also be convened by way of video conferencing or telecommunication if so agreed by the convener of the Committee. For meetings convened by way of telecommunication, the opinions, recommendations and resolutions of the Committee members shall be facsimiled to the office of the secretary to the Board on the same day of the meetings for records and the originals shall be sent to the office of the secretary to the Board.

Clause 19 The quorum of a meeting of the Committee shall be two-thirds or more of its members.

Members of the Committee shall attend the meeting in person. If a member cannot attend a meeting for reasons, he/she may authorize another member of the Committee to attend by signing an instrument of proxy to consider and exercise the relevant powers on his/her behalf. The instrument of proxy shall contain, among others, the names of the principal and the proxy, the scope, power and valid period of authorization. A member shall not serve as the proxies of two or more members.

Attending a meeting by way of video conferencing or telecommunication shall be deemed as attending the meeting in person.

Clause 20 A member of the Committee who fails to attend three consecutive meetings of the Committee in person without justifiable reasons shall be deemed as incapable of performing the duties as a member of the Committee and shall be removed by the Board.

Clause 21 Chairman of the Supervisory Committee, secretary to the Board and the head of the office of the Committee may attend the meeting of the Committee. The Committee may invite other directors, management and department staff and representatives of intermediary firms to attend the meeting if necessary.

Upon the consent of the chairman of the meeting, attendees shall be entitled to express opinions or provide explanations to relevant resolutions and matters, provided that the attendees have no voting rights.

CHAPTER 5 PROCEDURES OF MEETINGS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Clause 22 The convener of the Committee (or in his/her absence, a member of the Committee who is an independent non-executive director designated by the convener) shall convene and chair the meetings of the Committee.

Clause 23 For matters considered and discussed at meetings of the Committee, the members shall provide definite and independent opinions based on their judgment and shall draft proposal review reports according to the majority of opinions. Remarks of disagreement shall be recorded.

CHAPTER 6 DOCUMENTS AND RECORDS OF MEETINGS

Clause 24 Meeting documents such as minutes and/or proposal review reports shall be prepared after the meeting of the Committee. The meeting documents shall give a true picture of all different opinions given during the meeting.

Meeting documents shall be true, accurate and complete and shall be submitted to the Board after being signed by the Committee members attending the meeting.

Minutes, proposal review reports, the instrument of proxy and other meeting documents of the Committee shall be assigned with serial numbers according to the years, session and number of meetings and shall be filed by the office of the Committee and the office of secretary to the Board.

Clause 25 The office of the Committee shall take minutes of the meetings of the Committee (by stenography and tape recording) and draft minutes and proposal review reports of the Committee meetings.

Clause 26 Minutes of the Committee meetings shall contain the following:

(1) date and place of the meeting and name of the chairperson;

- (2) names of the attending members and proxies, and the names and positions of units representatives attending the meetings as observers, if any;
- (3) resolutions and agenda of the meeting;
- (4) summary of statements and discussions of the members;
- (5) other relevant matters of the meeting;
- (6) names of the person who draft the minutes and summary of the meeting; and
- (7) signatures of the Committee members present at the meeting.

Clause 27 Proposal review reports of the Committee shall contain the following:

- (1) subjects matters of the review;
- (2) the form, procedure and process of the review;

(the names of the members and proxies present at the meetings, voting results, and the names and positions of unit representatives attending the meetings as observers, if any, as and when necessary;)
- (3) recommendations;
- (4) other matters required to be explained and considered (if any) such as the risk analysis, the opinions, recommendations and the required actions suggested in the special reports by intermediary firms; and
- (5) signatures of the members of the Committee present at the meetings.

CHAPTER 7 CONFIDENTIALITY

Clause 28 Members of the Committee and attendees present at meetings of the Committee shall keep confidential all documents and matters of the meetings and shall not disclose without authorization.

CHAPTER 8 MISCELLANEOUS

Clause 29 These rules of procedure shall become effective from the date of approval by the Board, and the same procedures shall apply whenever any amendments hereto are made.

Clause 30 The Company shall post these rules of procedure on the websites of the Company and the Stock Exchange of Hong Kong Limited to explain its role and authorization designated by the Board.

Clause 31 Any matters not covered by these rules of procedure shall be dealt with in accordance with relevant laws and administrative regulations of the PRC, the listing rules of the places where the Company's shares are listed, the Articles and Rules of Procedure of the Board. If these rules of procedure contravene any future laws and regulations promulgated by the government, listing rules of the places where the shares of the Company are listed, or the Articles as amended under legal procedures, the relevant laws and regulations of the PRC, the listing rules of the places where the shares of the Company are listed and the Articles shall prevail, and the Board shall amend these rules of procedure immediately and submit to the Board for approval.

Clause 32 The interpretation of these rules of procedure shall be vested in the Board of the Company and shall be amended and modified by the Board.