



潤東汽車

China Rundong Auto Group Limited

中國潤東汽車集團有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1365)

TERMS OF REFERENCE FOR THE RISK MANAGEMENT COMMITTEE

(Adopted by the Board on 20 December 2017)

1 Constitution

The board of directors of the Company (the “**Board**”) hereby constitutes and establishes a risk management committee (the “**Risk Management Committee**”) with authority, responsibility, and specific duties as described below.

2 Membership

- 2.1 The Risk Management Committee shall be appointed by the Board and shall consist of not less than three (3) members.
- 2.2 The chairman of the Risk Management Committee (the “**Chairman**”) shall be appointed by the Board.
- 2.3 The quorum for a meeting of Risk Management Committee shall be two (2) members.

3 Secretary

The company secretary of the Company or his nominee shall be the secretary of the Risk Management Committee.

4 **Authority**

- 4.1 The Risk Management Committee is granted the authority to act within these terms of reference. The Risk Management Committee is authorized to seek any information it requires from any employee of the Company and all employees are directed to co-operate with any request made by the Risk Management Committee.
- 4.2 The Risk Management Committee is authorized by the Board, at the Company's expense but subject to prior discussion with the Board on costs, to obtain outside legal or other independent professional advice as necessary to assist the Risk Management Committee if it considers necessary (only the expense concerned needs to be discussed by the Board beforehand).
- 4.3 The Risk Management Committee shall be provided with sufficient resources to perform its duties.

5 **Duties**

The duties of the Risk Management Committee include:

- 5.1 to consider the Company's risk management strategies;
- 5.2 to consider, review and approve policies and guidance for the Company's risk management and internal control;
- 5.3 to determine the level of risk, the degree of risks to be taken, and the allocation of related resources;
- 5.4 to approve significant decisions that may influence the risk profile of the group or the risk needed to be taken and provide proper guidance;
- 5.5 to consider the effectiveness of decision-making mechanism under risk or urgency;

5.6 assigned by the Board, to discuss at least once a year the effectiveness of the risk management and internal control system of the Company and its subsidiaries with management to ensure that management has performed its duty to have effective systems, and to report to shareholders about the accomplishment of the relevant discussion in the corporate governance report. The relevant discussion shall cover all the important controls, including financial control, operation control and compliance control. The discussion shall, in particular, consider:

- (1) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- (2) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
- (3) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the Company and the effectiveness of risk management;
- (4) major investigation findings on risk management and internal control matters and significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;
- (5) the effectiveness of the Company's processes for financial reporting and compliance of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**");

5.7 to consider with delegated responsibility the company's policies, strategies and reporting in relation to environmental, social and governance matters; and

5.8 to consider other topics, as defined by the Board.

6 Frequency and Proceedings of Meetings

- 6.1 The Risk Management Committee shall meet at least once a year, or at such frequency as required under the Listing Rules or other regulatory requirements applicable to the Company from time to time.
- 6.2 The Chairman may convene additional meetings at his discretion.

7 Reporting Procedures

- 7.1 The Risk Management Committee shall report to the Board the findings and recommendations after each meeting of the Risk Management Committee, unless there are legal or regulatory restrictions on its ability to do so.

8 Minutes

- 8.1 Minutes of the Risk Management Committee should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.
- 8.2 Minutes of the Risk Management Committee shall record in sufficient detail the matters considered by the Risk Management Committee members and decisions reached, including any concerns raised by the Risk Management Committee members and dissenting views expressed. Draft and final versions of minutes of meeting of the Risk Management Committee shall be sent to all members of the Risk Management Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

9 **General**

- 9.1 These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements, including those under the Listing Rules.
- 9.2 The Risk Management Committee should make available these terms of reference to the public, explaining its role and the authority delegated to it by the Board, by including them on the Hong Kong Exchanges and Clearing Limited news website (www.hkexnews.hk) and the Company's website (www.rundongauto.cn).

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(If there is any inconsistency between the English and Chinese version of these terms of reference, the English version shall prevail.)