

BAIC MOTOR CORPORATION LIMITED
Terms of Reference of
Audit Committee of the Board

December 2015

CONTENTS

Chapter 1	General Provisions	3
Chapter 2	Composition of the Committee.	3
Chapter 3	Duties of the Committee	4
Chapter 4	Meetings of the Committee	7
Chapter 5	Procedures of Meetings	7
Chapter 6	Working Units of the Committee	9
Chapter 7	Supplementary Provisions	9

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to strengthen the internal supervision and risk control, and to regulate the auditing work of the Company, the audit committee (the “Audit Committee” or the “Committee”) under the board of directors (the “Board”) was formed and these terms of reference were formulated in accordance with the Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and the Code of Corporate Governance set out in Appendix XIV to the Listing Rules, the Articles of Association of BAIC Motor Corporation Limited (the “Articles of Association”) and other relevant regulations.

Article 2 The Audit Committee is a special committee established under the Board and is responsible for providing advices and suggestions for decisions made by the Board and the chairman of the Board in relation to issues within the scope of authorization delegated by the Board, and shall be accountable and report to the Board.

CHAPTER 2 COMPOSITION OF THE COMMITTEE

Article 3 The Audit Committee shall comprise three non-executive directors, a majority of whom shall be independent non-executive directors. The Committee shall have at least one member which is an independent non-executive director with relevant professional qualifications or with expertise in accounting or financial management.

Article 4 Members of the Audit Committee shall be nominated by the chairman of the Board and elected by a majority of the members of the Board. Upon the approval of the resolution for the election of members, the appointment of the newly-elected committee member shall become effective immediately after such resolution of the Board takes effect.

Article 5 The Audit Committee shall have a chairman responsible for organizing the work of the committee, whom shall be a member who is an independent non-executive director subject to the approval of the Board.

Article 6 The term of office of the members of the Committee shall be the same as that of the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If any member ceases to be a director of the Company during his/her term of office, he shall ipso facto and immediately cease to hold the position of the member of the Committee.

Article 7 Member of the Committee may resign prior to the expiry of his/her term of office. Written resignation report shall include a statement of the reason for such resignation and if necessary, the matters that shall be brought to the attention of the Board.

Article 8 Members of the Committee may be adjusted during their terms of office according to the recommendation of the chairman of the Board and upon the consideration and approval of the Board.

Article 9 In the event that the number of members of the Committee falls below the quorum provided in these terms of reference, the vacancy shall be filled up in accordance with these terms of reference.

CHAPTER 3 DUTIES OF THE COMMITTEE

Article 10 Principal duties of the Audit Committee are as follows:

(1) to make suggestions for the appointment, reappointment and change of external auditors, handle issues relating to the resignation or removal of such external auditors and make suggestions for the appointment contracts and audit fees of relevant external auditors; to evaluate the work of the external auditors, and supervise the independence, objectivity, and the effectiveness, quality and results of work procedures of the external auditors;

The Audit Committee shall discuss with the external auditor regarding the nature and scope of the audit and the relevant reporting obligations before the auditing work commences.

The Audit Committee shall develop and implement policies on the engagement of an external auditor for non-audit services. For this purpose, any entity that is under common control, ownership or management with the audit firm, or any entity that is reasonably deemed as part of the domestic or international business of the audit firm by a reasonable and informed third party having knowledge of all relevant information shall be regarded as an external auditor. The Audit Committee shall report to the Board on any matters in respect of which it considers that action or improvement is needed and making recommendations as to the measures to be taken.

(2) to supervise the internal audit system and its implementation.

(3) to guide and evaluate the work of the internal auditing department, and to make suggestions as to the appointment and removal of the head of internal auditing department.

(4) to review the financial information of the Company and its disclosure:

The Audit Committee shall monitor the legitimacy and integrity of the financial statements, annual reports and accounts, interim reports and quarterly reports (if any), and to review significant judgements relating to financial reporting contained therein. For this purpose, when reviewing the financial statements and reports of the annual reports and accounts, interim reports and quarterly reports (if any) of the Company to be submitted to the Board, the Committee shall focus particularly on:

1. any changes in the accounting policies and practices;
2. areas which involve significant judgements;
3. significant adjustments according to the results of audit;
4. assumptions on the ongoing operations of the Company and any qualified opinions;

5. compliance with accounting standards;

6. compliance with the applicable listing rules and other legal requirements in relation to financial reporting at the place of listing;

In respect of the above, members of the Committee shall communicate with the Board, senior management and qualified accountant of the Company. The Committee shall meet, at least twice a year, with the Company's auditors. The Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and shall give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors.

(5) to review and supervise the effective implementation of the financial reporting, risk management and internal control systems of the Company, including:

1. to examine and discuss the effectiveness of the financial control, risk management and internal control systems and related regulations and procedures of the Company;

2. to discuss the design, implementation and monitoring of the risk management and internal control system with the management as to financial, operational and compliance monitoring and other material matters so as to ensure the management has performed its duty to establish effective systems. The discussion shall include the adequacy of resources, qualifications and experience of staff, training programmes and budget of the accounting, internal audit and financial reporting function of the Company. The discussion shall also include the procedures and internal controls for handling and dissemination of inside information. In respect of the forgoing matters, the Committee shall discuss with the management at least once a year;

3. to review major findings on risk management and internal control matters and the responses of management on its own initiative or as delegated by the Board;

4. where an internal audit function exists, to ensure co-ordination between the internal and external auditors; to ensure the internal audit function is provided with adequate resources and has appropriate standing within the Company; and to review and monitor its effectiveness;

5. to review the financial and accounting policies of the Company and its implementation;

6. to review the auditing report from external auditor to the management, queries raised by the auditor to the management about accounting records, financial accounts or control systems and the responses from the management;

7. to ensure the timely responses of Board to the issues raised in the auditing report from the external auditor;

8. to report to the Board in respect of the issues set out in this article;
9. to consider other issues raised by the Board.

(6)

CHAPTER 4 MEETINGS OF THE COMMITTEE

Article 14 The Audit Committee shall meet at least twice a year, with a written notice dispatched to all members three days prior to the meeting. In case of emergencies or extraordinary circumstances, the aforesaid time and procedures of notice may be waived upon approval of the chairman, while the chairman shall explain accordingly at the meeting.

Article 15 The office of the Board is responsible for notices and affairs of the meetings of the Committee. The notice of meeting shall specify, among others, the time, place, session, agenda and topics of the meeting and the date of notice.

Article 16 Upon reception of the notice of meeting, members of the Committee shall give confirmation and provide relevant information (including but not limited to the availability of presence and schedule) in a timely and appropriate manner.

Article 17 Quorum of the meetings of the Committee shall be at least two thirds of all members.

Members should be present in person at the meetings (physically attending or through means of communication). A member unable to be present in person may appoint another member of the Committee by the power of attorney as duly signed to attend and exercise relevant duties and powers at the meeting on his/her behalf. The power of attorney shall specify, among others, the names of the principal and the proxy, and the scope, authority and validity period of authorizations.

Article 18 Any member failing to attend a meeting of the Committee in person without justifiable reasons for three times in succession shall be deemed as incapable of performing the duties for a member of the Audit Committee, and is subject to replacement by the Board in accordance with these terms of reference.

CHAPTER 5 PROCEDURES OF MEETINGS

Article 19 In principle, meetings of the Committee shall be held in the form of on-site meeting, where voting shall be made by a show of hands or by poll. Upon approval of the chairman of the Committee, meetings may be held by way of communication or through written proposals to be considered respectively, while members of the Committee shall submit documents of meetings of the Committee such as completed votes and signed audit opinions to the office of the Board within the time specified in the notice of meeting.

Article 20 When reviewing and discussing the proposed matters at the meeting of the Committee, members of the Committee shall clearly, independently and fully express their views based on their own judgment. Major opinion of each member of the Committee shall be specified in the minutes of the meeting.

Article 21 The chairman of the Committee shall, on the basis of adequate review and discussion, form an audit opinion on the matters discussed at the meeting of the Committee by summarizing the discussions and opinions of the members at the meeting, and shall provoke the members to vote on matters so discussed and the audit opinion by a show of hands or by poll. Each member of the Committee shall have one vote. The audit opinion on the matters discussed at the meeting formed by the meeting of the Committee shall be passed by more than half of the votes. Where there is an equality of votes for and against a resolution, the chairman of the Committee shall have a casting vote. Members who cast votes against a resolution are entitled to demand their objection to be indicated in the audit opinion of the Committee.

In the event of insufficient information or materials as required by the proposed matters, resulting in over half of the members are of the views that no discussion or judgment can be made, the chairman of the Committee shall reserve the right to require the provision of additional information or materials for further consideration.

Save as described above, the Committee shall express its opinions with explicit agreement or disagreement with the subject matters.

Article 22 The secretary of the Board of the Company shall attend meetings of the Committee, and other directors of the Company, relevant senior management, personnel of relevant functional departments of the Company as well as relevant experts, scholars and representative of intermediary agency may be invited to attend the meeting when necessary. Persons attending the meeting shall give explanations on relevant matters at the request of the members of the Committee. The chairman of the board of Supervisors can attend the Committee meetings in non-voting capacity.

Article 23 Where a member of the Committee is interested in the matter being discussed at the meeting of the Committee, he/she shall be abstained from attending such meeting.

Article 24 Minutes shall be kept for the meetings of the Committee, bearing signatures of the members present at the meetings, and shall be kept by the office of the Board of the Company. The draft and final versions of the meeting minutes of the Committee shall be delivered within a reasonable period of time after the meeting to all members of the Committee for their comment and inspection respectively.

Article 25 Proposals and voting results adopted at the meetings of the Committee shall be reported to the Board of the Company in writing. In the case that it is difficult to reach an agreement on a proposal, the different opinions shall be submitted to the Board with explanations.

Article 26 Members of the Committee attending the meeting shall undertake confidentiality obligations for all items discussed at the meeting. Relevant information shall not be disclosed without permission.

CHAPTER 6 WORKING UNITS OF THE COMMITTEE

Article 27 The office of the Board shall act as the regular administrative body of the Committee and shall be responsible for daily work communication, organization of meetings and secretarial work.

Article 28 Departments including the audit department, the finance and accounting department, the compliance and supervision department and legal affairs department are the decision-supporting departments of the Committee and shall provide relevant materials, draft relevant documents and make suggestions as required by the Committee.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 29 Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

Article 30 These terms of reference shall become effective upon approval of the Board of the Company.

Article 31 Any matters not covered by these terms of reference shall be subject to relevant laws, regulations, rules of securities regulatory authorities and stock exchanges of China and the Articles of Association. In case of any discrepancy between these terms of reference and the laws and regulations to be promulgated by the Chinese government in the future, the rules of securities regulatory authorities and stock exchanges or the Articles of Association as amended according to laws, the relevant laws and regulations, rules of securities regulatory authorities and stock exchanges of China and the Articles of Association shall prevail, and these terms of reference shall be revised immediately upon consideration and approval of the Board.

Article 32 The interpretation of these terms of reference shall be vested to the Board of the Company.