DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

RULES OF PROCEDURE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the board of directors (hereinafter referred to as "**the Board**") of Dongjiang Environmental Company Limited* (hereinafter referred to as "**the Company**"), to achieve prior and professional audit, to achieve effective supervision over the Company's financial revenue and expenditure, various business activities, financial reporting system and internal control procedures, and to improve the Company's governance structure. In accordance with the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, the Guidelines of the Shenzhen Stock Exchange on Self-regulation of Listed Companies No.1 – Regulating the Operation of Companies Listed on the Main Board, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of Dongjiang Environmental Company Limited (the "**Articles of Association**"), The Board of Directors (the "**Board**") hereby establishes the Audit and Risk Management Committee of the Board of Directors (hereinafter referred to as "**the Committee**") and formulates the rules of procedure of the Committee (hereinafter referred to as "**these Rules"**).

Article 2 The Committee is a special working body established by the Board, which is mainly responsible for the communication, supervision and examination of the internal and external audit, internal control and risk management of the Company.

Article 3 The Committee shall perform its duties within its official scope of duty set forth in the Articles of Association and these Rules, work independently and report to the Board, and shall be free from any interference from any other departments of the Company.

Chapter 2 Organizational Structure

Article 4 The Committee shall comprise has three members, who are directors who do not serve as senior management of the Company, of which the majority are independent directors, and accounting professionals among the independent directors act as conveners.

Article 5 The member of the Committee shall be nominated by the chairman of the Board, or over half of independent directors or over one-third of all directors and elected by over half of the members of the Board. An existing or former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing to be a partner of the firm; or to have any financial interest in the firm, whichever is later.

Article 6 The Committee has one chairman (convener) who shall be an independent non-executive director with appropriate professional qualification set forth in Article 3.10 (2) in the Hong Kong Listing Rules, or with appropriate profession in accounting or related financial management, responsible for convening and hosting the meetings of the Committee; such chairman shall be approved by the Board.

Article 7 The term of office of the member of the Committee shall be the same as that of the board director in the same term. Any member of the Committee may be re-elected for a new term upon the expiration of the current term. During the term, where any member of the Committee does not take the office of director, he/she will automatically lose the qualification for being a member of the Committee.

Article 8 Where the number of the members of the Committee is less than the quorum due to the resignation or dismissal of any member or for other reasons, the Board shall re-elect new member(s) timely. The Committee shall suspend exercising its authority specified in these Rules where the number of the Committee members does not reach the quorum.

Article 9 Where any member of the Committee falls into one of the following cases, the Board shall disqualify him/her from further service as a member of the Committee:

1) Where he/she breaks the applicable laws, rules and regulations and the disciplines of the Committee;

2) Where he/she fails to act with due diligence as required, has been absent from the meetings of the Committee twice without any good reason or has been unable to deliver any opinion on the matters required to be audited for three successive times;

3) Where he/she has submitted a written resignation or is not suitable to continue as a member of the Committee due to change of duties during his/her term of office;

4) Other circumstances in which he/she is not suitable to act as a member of the Committee.

Article 10 The provisions of the Company Law and the Articles of Association on the obligations of the directors shall apply to any member of the Committee.

Article 11 The Company establishes the independent audit department in accordance with the applicable laws and regulations; such audit department shall be responsible to and report to the Committee. The audit department may have full-time personnel as required.

The responsible person of the audit department must be in full-time service for the department, nominated by the Committee and appointed and dismissed by the Board. It shall be made clear that, as the general office under the Committee, the audit department shall be responsible for daily work liaison, meeting organization, etc.

Chapter 3 Duties and Authorities

Articles 12 The Audit and Risk Management Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal control. The following matters shall be submitted to the Board of Directors for deliberation after being approved by more than half of all members of the Audit and Risk Management Committee:

1) Disclosure of financial information, risk reports, and internal control evaluation reports in financial accounting reports and periodic reports;

2) Engagement or dismissal of accounting firms undertaking the Company's audit

business;

3) Appointment or dismissal of the Company's chief financial officer;

4) Changes to accounting policies or accounting estimates, or corrections of material accounting errors for reasons other than changes to accounting standards;

5) Risk management strategies and major risk solutions;

6) Other matters as stipulated by laws, administrative regulations, the China Securities Regulatory Commission, and these Rules of Procedure.

Articles 13 The duties of the Committee are as follows:

Relationship with the Company's auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor, and to approve the remuneration and terms of engagement of the Company's external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. Should there be more than one auditor firm participating, the Committee shall ensure the coordination between them;

(c) to develop and implement policy on engaging the Company's external auditor to supply non-audit services. For this purpose, external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

(d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. To provide opinions on the authenticity, accuracy, and completeness of financial and accounting reports, focus on significant accounting and auditing issues in the financial and accounting reports of the Company, pay special attention to whether there is fraud, fraudulent practices, and the possibility of significant misstatement related to financial and accounting reports, and supervise the rectification of financial and accounting report issues. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Shenzhen Listing Rules, the Hong Kong Listing Rules and legal requirements in relation to financial reporting;

(e) Regarding (d) above:

(i) members of the Committee should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(f) to discuss with the Company's external auditors questions and doubts arising in audit of interim and annual accounts, and other matters that the auditors wish to discuss (may conduct in the absence of the Company's management if necessary);

(g) to review the letter to the Company's management from the Company's external auditors and the management's response;

(h) if the Company's annual report includes statement about the Company's internal control system, to review such statement prior to submission for the Board's approval;

Oversight of the Company's financial reporting system, risk management and internal control systems

(i) to review the Company's financial reporting, financial controls, internal control system and other major financial matters, as well as to review the Company's risk management system;

(j) to discuss the risk management, including environmental, social and governance risks, and internal control systems with the Company's management to ensure that management has performed its duty to have effective risk management and internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(k) to consider major investigation findings on risk management, including environmental, social and governance risks, and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(l) where an internal audit function exists in the Company, to ensure co-ordination between the Company's internal and external auditors, and to ensure that the Company's internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness, and report on how it performs its review of the effectiveness of the internal audit function of the Company in the Corporate Governance Report;

(m) to review the financial and accounting policies and practices of the Group;

(n) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(p) to report to the Board on the matters in this terms of reference;

(q) to consider other topics, as defined by the Board;

Others

(r) to consider and oversee corporate environmental, social and governance issues;

(s) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(t) to act as the key representative body for overseeing the Company's relations with the Company's external auditor, and be responsible for monitoring the relationship between them;

(u) urge the relevant responsible departments of the Company to formulate rectification measures and time frames for major issues related to false records, misleading statements, or significant omissions in the Company's financial and accounting reports, conduct follow-up reviews, supervise the implementation of rectification measures, and timely disclose the completion of rectification;

(v) supervise the internal audit department to conduct inspection on the following matters at least a semi-annually, issue and submit inspection reports to the

Committee:

(i) the conducting of major events such as the use of raised funds, provision of guarantees, connected/related transactions, securities investment and derivative transactions, provision of financial assistance, purchase or sale of assets, and external investment by the Company;

(ii) capital transactions of significant amount and capital transactions of the Company with directors, senior management, controlling shareholders, de facto controllers, and their affiliates.

The Committee shall issue written evaluation opinions on the effectiveness of the Company's internal control based on the internal audit report and relevant materials submitted by the internal audit department, and report to the Board.

Article 14 The working expenses of the Committee shall be included in the budget of the Company. When performing its duties, the Committee has the right to engage professional advisers such as lawyers, certified public accountants, who would provide professional advice for its decision-making. The expenses reasonably incurred by the Committee shall be borne by the Company.

Article 15 Any member of the Committee shall abide by the following provisions:

1) he/she shall attend any meeting of the Committee and perform the duty of due diligence in audit;

2) he/she shall keep the secret of the Company and the business secret of related departments;

3) he/she shall not disclose the audit, voting of and any other information about the Committee;

4) he/she shall not, by virtue of his/her status as a member of the Committee or any non-disclosed information obtained in his/her performance of duties, figure for any interest, whether direct or indirect, for him/her or any other people;

5) he/she shall not accept any donation from any person in relation to the audit and the professional institution or related persons he/she engages and shall not contact the same privately; and

6) he/she shall not, in the name of the member of the Committee, issue any unauthorized proposal and related report.

Chapter 4 Procedures for Decision-making

Article 16 The securities and legal department, the financial management department, the audit department and other relevant functional departments of the Company shall be responsible for the preparatory work for the decision-making of the Committee, and shall collect and provide written materials related to audit matters:

1) relevant financial reports and other related data of the Company;

2) work reports of the internal and external audit offices;

3) external audit contract or related work reports;

4) disclosure of the Company's information to the public;

5) audit reports of the material related transactions of the Company and independent financial advisor report, asset assessment report and other related reports; and

6) other relevant matters.

Article 17 The meeting of the Committee shall discuss and comment on the report submitted by the audit department, and submit the materials on the relevant written resolution to the Board for discussion:

1) assessment on the work of the external audit office, engagement and replacement of the external audit office;

2) whether the internal audit system of the Company has been effectively implemented and whether the financial report of the Company is complete and true;

3) whether the financial report, etc. disclosed by the Company is objective and true and the major connected transactions of the Company comply with the applicable laws and regulations;

4) assessment on the work of the audit department of the Company including the responsible person thereof; and

5) other related matters.

Chapter 5 Convening and Notification of Meeting

Article 18 The meetings of the Committee include the general meeting and extraordinary meeting.

At least four general meetings shall be held per year and once every quarter. An interim meeting may be convened upon the proposal of two or more members or when the convener deems it necessary. A meeting of the Audit and Risk Management Committee shall be held only when more than two-thirds of the members are present.

At such meetings, the audit department will report the internal audit and the issues of the Company discovered to the Committee and shall also submit a report to the Committee on a quarterly basis.

Article 19 Generally the chief financial officer, the director of the internal audit department and the representative of the engaged external auditors must attend any meeting of the Committee. However, the Committee shall, with the absence of the management of the Company, have at least one meeting a year with the external auditors engaged by the Company and the internal auditors of the Company.

Article 20 The meeting of the Committee may be held as an on-site meeting or an off-

site communication meeting (including teleconference or in a manner that allows the members of the Committee to communicate with each other).

Article 21 Unless all members of the Committee agree otherwise, a notice for the general meeting of the Committee shall be delivered 5 days before the meeting (not including the day of the meeting); or a notice for the extraordinary meeting of the Committee shall be delivered 3 days before the meeting (not including the day of the meeting).

Article 22 The notice for the meeting of the Committee shall at least include the following information:

1) the time and venue of the meeting;

2) the duration of the meeting;

3) the agenda of the meeting;

4) the contact person and contact information of the meeting; and

5) the date of the notice for the meeting.

6) The notice for the meeting shall be attached with proposals with complete contents.

Article 23 All members of the Committee shall be notified of any meeting of the Committee by fax, by e-mail, by phone or personally, etc.

In the case of email, phone, etc., where no objection is received within two (2) days as of the delivery of the notice, it will be deemed that the notice has been served to the person entitled to it.

Chapter 6 Procedures for Discussion and Voting

Article 24 Each member of the Committee shall have one vote; any resolution made at any meeting must be passed by over half of all the members of the Committee (including those not attending the meeting).

Article 25 Any member of the Committee may attend the meeting in person or by phone or in a similar manner which allows the member to communicate with other members. With the consent of all members, the Committee may pass a resolution in a written manner.

The member attending the meeting on another's behalf shall exercise their rights within their given authority. Where a member fails to attend the meeting of the Committee, or fails to nominate any other member to exercise his/her rights at the meeting or fails to submit any written opinion before the commencement of the meeting, it will be deemed that he/she has waived his/her rights.

Any member who cannot attend the meeting in person may exercise his/her rights by presenting a written opinion on the matter being discussed; however, such written opinion shall be delivered to the secretary of the Board not later than the commencement of the meeting.

Article 26 Where a member of the Committee has not attended any meeting of the

Committee twice consecutively, or has failed to nominate any other members of the Committee, or has failed to deliver any written opinion before the commencement of the meeting, such member will be deemed unable to perform his/her duties as a member of the Committee and the Board may adjust the members of the Committee according to these Rules.

Article 27 Votes at the meeting of the Committee shall be made in registered ballot manner. To ensure that the members of the Committee can sufficiently deliver their opinion fully, the extraordinary meetings, may be held by fax or by phone and the resolution may be made by fax and shall be signed by the members of the Committee attending the meeting.

Article 28 The members of the audit department may attend the meeting of the Committee; directors of the Company who are not members of the Committee may attend the meetings of the Committee; where the Committee thinks necessary, it may invite external consultants and other persons in relation to the resolutions of the meeting to attend the meeting, introduce the resolutions or deliver opinions; however, such persons shall not have the right to vote on any meeting of the Committee.

Article 29 The procedures of meetings, voting methods and the resolutions passed at the meeting of the Committee must abide by the applicable laws and regulations, the Shenzhen Listing Rules, the Hong Kong Listing Rules, the Articles of Association and these Rules.

Article 30 The resolution passed and vote results or any assessment opinion issued on the internal control of the Company at any meeting of the Committee shall be submitted to the Board in writing after the end of such meeting.

Article 31 Any member attending the meeting are obliged to confidentiality to all matters discussed at the meeting and shall not disclose any related information without permission.

Chapter 7 Working Body of the Committee

Article 32 The secretary of the Board shall be responsible for organizing and coordinating the work of the Committee and the related departments. The secretary of the Board shall attend the meetings of the Committee.

Article 33 The secretary of the Board shall work closely with the other departments of the Company so that the Committee can conduct its work well.

Article 34 The secretary of the Board shall be responsible for the preparation and delivery of meeting notice, etc. in relation to meetings.

The audit department shall prepare and provide the related information required for the matters to be discussed at the meeting and contact the related departments of the Company (including the related experts or social experts, scholars and agencies engaged in the process of discussion).

The related functional departments of the Company shall provide the required work services for the Committee and support and cooperate with the secretary of the Board and the audit department.

Chapter 8 Minutes of the Committee Meeting

Article 35 Any meeting of the Committee shall have meeting minutes, which shall be made by the secretary of the Board and include the following information:

1) meeting number, form of the meeting, date, venue and chairperson's name;
2) attendance, absence and nominated attendance;
3) name and title of the persons attending;
4) agenda;
5) points made by members of the Committee and other persons attending (including the matters considered and the decisions made by the members of the Committee, including their doubts or objections);
6) name of the meeting recorder.

Article 36 The meeting minutes, power of attorney, written opinion of any member of the Committee and other meeting documents shall be managed and kept by the secretary of the Board as per the applicable regulations.

Chapter 9 Abstain System

Article 37 Where a member of the Committee or any of his/her immediate family members or the enterprise controlled by such member and any of his/her immediate family members has a direct or indirect interest in the matter to be discussed at the meeting, such member shall disclose the nature and degree of such interest relation to the Committee as soon as possible.

Article 38 In the circumstance set forth in the previous article, the interested member of the Company shall give a specific statement on the related issue and expressly indicate they abstain at the meeting of the Committee. Where the other members of the Committee think that this related interest will not materially affect the matter to be voted at the meeting, such interested member may participate in voting.

Where the Board thinks it is improper for the member of the committee with the related interest mentioned in the previous paragraph to participates in the voting, it may revoke the voting result of the relevant proposal and require the non-interested members of the Committee to revote the related proposal.

Article 39 The meeting of the Committee may review proposals and make resolutions thereon with the precondition of counting the interest members into the quorum. Where the number of the members of the Committee after the abstain of interested members is less than the minimum quorum, all the members of the Committee (including the interested members) may make a resolution on the procedure issue of the submission of such proposal to the Board for review, etc., and the Board may review such proposal.

Article 40 The meeting minutes and meeting resolution of the Committee shall state that any interested member has not been counted in the quorum and has not participated in voting.

Chapter 10 Supplementary Provisions

Article 41 The establishment hereof and amendment hereto shall not come to effect and force and be implemented until the Board passes an ordinary resolution.

Article 42 Matters not covered herein shall be handled in accordance with the relevant national laws, regulations, normative documents, stock exchange provisions, and the relevant provisions of the Company's Articles of Association. If any clause of these Rules of Procedure is inconsistent with the then-effective relevant laws, regulations, normative documents, stock exchange provisions, and the provisions of the Company's Articles of Association, the then-effective relevant laws, regulations, normative documents, stock exchange provisions, and the provisions of the Company's Articles of Association shall prevail.

Article 43 The terms "above" and "within" referred to herein shall include the relevant number following while "below" and "not less than" shall not.

Article 44 The Board shall reserve the right to interpret these Rules.

Note: In the event of any discrepancies between the English and Chinese versions of these Rules, the Chinese version shall prevail.

** For identification purpose only*