

Internal Control and Risk Management

In accordance with the Company's commitment to establishing and effectively maintaining a continuous high standard in corporate governance, the Board places particular emphasis on professional ethics and clear definition of rank, authority and responsibilities to establish a good environment for the internal control activities of the Company.

The management is responsible for the design of the Company's internal control organisation structure and hierarchy. To implement the risk management policy of the Company, the Risk Control Committee has been established. Its chairman is the Deputy Chief Executive Officer of the Company and other members are the Supervision and Management Department, Finance Department and Internal Audit Department of the Group. The primary duties of the committee are:

- strengthening the control environment; assessing relevant risks and carrying out necessary control activities;
- ensuring seamless information exchange;
- exercising appropriate supervision to ensure the effectiveness and efficiency of control over activities within and between different departments;
- identifying risks and analysing such risks which may impede the achievement of corporate objectives (including such risks associated with constant changes in the regulatory and operating environments);
- establishing internal control measures for minimising and eliminating risks;
- reviewing and reporting to the Board in respect of the effectiveness of internal control; and
- maintaining contact with external auditors for maintaining the quality of the Group's internal control system.

The Risk Control Committee meets at least once each year to report to the Audit Committee and the Board in respect of the critical control measures for evaluation of corporate objectives, finances, operations and checks and balances. The Risk Control Committee will also evaluate the significant risks faced by the Company, as well as the scopes and results of its internal and external audits. It will analyse the causes of any failure before making recommendations for remedial measures. It will also identify isolated cases and inherent deficiencies in the internal control system, and will make timely adjustments and remedies for the latter to avoid repeated failures.

In carrying out its duties, the Board seeks to raise the risk awareness of all departments of the Group. It also works to lay a solid foundation for the development of a risk management system by way of establishing appropriate policies and programmes, including the formulation of authorisation criteria. In respect of the work on review and reporting, the executive directors and the Board are responsible for the review and approval of the detailed operational and financial reports, budgets and business plans prepared by the management. Besides, the Board will compare the budgets with the actual results and oversee the ongoing work of the Risk Control Committee. The executive directors and the management team of all core business departments will carry out business reviews from time to time.