

Terms of Reference for the Audit and Risk Management Committee

1.0 Definition

1.1 For the purposes of these terms of reference (the “Terms”):

- “Audit and Risk Management Committee” or “Committee” means the audit and risk management Committee established by the resolution of the Board in accordance with clause 2 of these Terms.
- “Board” means the board of directors of the Company.
- “Financial Deputy General Manger” means the senior officer of the Company responsible for financial management as appointed by the Board from time to time.
- “Company Secretary” means the company secretary of the Company.
- “Executive Directors” mean the executive directors of the Board.
- “Independent Non-Executive Directors” mean the independent non-executive directors of the Board.
- “Listing Rules” mean the Listing Rules of the Stock Exchange.
- “Non-Executive Directors” mean the non-executive directors of the Board.
- “Stock Exchange” means the Stock Exchange of Hong Kong Limited.

2.0 Constitution

The Board resolved to establish a committee of the Board to be known as the Audit Committee on 28 May 2004. The Board resolved to change the name from “Audit Committee” to “Audit and Risk Management Committee” on 30 May 2016.

3.0 Membership

3.1 The Audit and Risk Management Committee shall be appointed by the Board from amongst the Non-Executive Directors and shall consist of five members, a majority of whom shall be Independent Non-Executive Directors and at least one of whom shall be an Independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. A quorum shall be three members.

3.2 The chairman of the Audit and Risk Management Committee shall be appointed by the Board and shall be an Independent Non-Executive Director.

4.0 Attendance at meetings

4.1 The President of the Company, Financial Deputy General Manager and a representative of the external auditors shall normally attend meetings. However, at least once a year the Audit and Risk Management Committee shall meet with the external auditors without the Executive Directors and management present.

4.2 The Company Secretary, or, in his absence, his delegate, shall be the secretary of the Audit and Risk Management Committee.

5.0 Frequency of meetings

5.1 Meetings shall be held not less than twice a year.

5.2 The Committee shall meet with the external auditors at least twice a year. The external auditors may request a meeting if they consider that one is necessary.

6.0 Authority

6.1 The Audit and Risk Management Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit and Risk Management Committee.

6.2 The Audit and Risk Management Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The relevant expense shall be paid by the Company.

7.0 Duties

7.1 The duties of the Audit and Risk Management Committee shall be:

- A to make recommendations to the Board before submission to the shareholders of the Company for their approval in general meeting, in relation to the appointment, re-appointment or dismissal of the external auditor and the remuneration and terms of engagement of the external auditor;
- B to consider any questions of resignation or dismissal of the external auditor;
- C to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- D to develop and implement policy on engaging external auditors for the provision of non-audit-related services; the Audit and Risk Management Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- E to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- F to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- G 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;
- H to ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
- I to monitor the integrity of the financial statements of the Company, and any public announcements relating to the Company's financial performance, including but not limited to reviewing any significant financial reporting judgments made therein;
- J to review the interim and annual financial statements before submission to the Board, focusing particularly on the followings:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;

- (c) significant adjustments resulting from the audit;
 - (d) the going concern assumption and any qualifications;
 - (e) compliance with accounting standards;
 - (f) compliance with any requirements from the Stock Exchange and other legal requirements in relation to financial reporting; and
 - (g) the statement presented in the annual report relative to the Company's risk management and internal control systems.
- K to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and to 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;
- L to review the Company's financial controls, risk management and internal control systems as well as the Company's statement on internal control system (where included in the annual report) prior to endorsement by the Board;
- M to discuss with the management the systems of risk management and internal control and ensure that management has performed its duty to have effective risk management and internal control systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;
- N to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- O (where an internal audit function exists) to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- P to review the Company's financial and accounting policies and practices;
- Q to review the policies and arrangements to be implemented by the Company to enable its employees to report in confidence, any issues relating to possible improprieties in the Company in relation to financial reporting or other matters;
- R to review arrangements through which the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and to establish/review the whistle blowing policy and system for employees and those who deal with the Company (e.g., customers and suppliers) to raise concerns, in confidence, with the Audit and Risk Management Committee about possible improprieties in any matter related to the Company; the Audit and Risk Management Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
- S to act as the key representative body for overseeing the Company's relations with the external auditor;
- T to assess the Company's financial reporting procedure, risk management and internal control systems and report to the Board including to assess the Company's internal audit entity, external auditor's judgment, the effectiveness of the

implementation of the risk management and internal control systems, compliance of connected transactions, the integrity and validity of the financial statements and its disclosure, the objectivity and authenticity of the information; and
U to consider any other issues, as required by the Board.

8.0 Reporting procedures

8.1 The Audit and Risk Management Committee shall report its findings and recommendations to the Board.

8.2 The secretary of the Committee shall keep proper records of meetings and shall send draft and final versions of minutes to all members of the Audit and Risk Management Committee for comment and records within a reasonable time after the meeting. The secretary shall also circulate the minutes of meetings and reports of the Audit and Risk Management Committee to all members of the Board after approval and signature by members of the Committee.

9.0 Annual General Meeting

The Chairman (or in his absence, his duly appointed delegate) of the Audit and Risk Management Committee should attend the Annual General Meeting of the Company and make himself available to respond to any shareholder questions on the Audit and Risk Management Committee's activities.