

# **Zheng Li Holdings Limited**

**正力控股有限公司**

**(the “Company”)**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8283)**

## **Terms of Reference of the Risk Management Committee**

**Adopted by the Board on 21 October 2016**

### **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.

2.2 The Risk Management Committee shall be chaired by an independent non-executive director of the Company (the “**Chairman**”).

2.3 The Risk Management Committee shall consist of not less than three (3) members. The quorum for a meeting of the Risk Management Committee shall be two (2) members, one (1) of whom shall be an independent non-executive director of the Company. A duly convened meeting of the Risk Management Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Risk Management Committee. Member should attend the meetings either in person or through electronic means of communication, including but not limited to telephone or tele-conferencing.

### **3. Secretary**

3.1 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 authorized by the Board to act within these terms of reference. The duty of the Risk Management Committee is to assist the Board in (i) deciding the risk level and risk appetite of the Company and its subsidiaries (collectively, the “**Group**”); (ii) considering the Group’s risk management strategies and giving guidelines where appropriate; and (iii) ensuring the soundness and effectiveness of the Group’s internal control system to safeguard the investment of the shareholders and the assets of the Company.

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 if it considers necessary.

4.3 The Risk Management Committee shall be provided with sufficient resources to perform its duties.

### **5. Duties**

5.1 The duties of the Risk Management Committee include:

- (a) to consider the Company’s risk management strategies;
- (b) to consider, review and approve the risk management policies and guidelines;
- (c) to decide on risk levels, risk appetite and related resources allocation;
- (d) to approve major decisions affecting the Group’s risk profile or exposure and give such guidelines as it considers appropriate;
- (e) to approve major risk management activities such as hedging transactions;

- (f) to consider the Company's risk management strategies;
- (g) to review the Group's approach to risk management and approve changes or improvements to key elements of its processes and procedures;
- (h) to oversee the Company's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries has been conducted at least annually and report to shareholders that it has done so in its corporate governance report, the scopes of which shall cover each and every key aspect of the control systems including the financial control system, operation control system and compliance control system, and to consider, in particular, the following matters in the annual review under the risk management system:
  - i. the changes, since the last annual review, in the nature and the extent of significant risks and the Company's ability to respond to changes in its business and external environment;
  - ii. the scope and quality of the management's ongoing monitoring of the risks and the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
  - iii. 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;
  - iv. significant control failings or weakness that have been identified during the period, and the extent to which they have results in unforeseen outcomes or contingencies that have had, may have or may in the future have, a material impact on the Company's financial performance or condition; and
  - v. the effectiveness of the Company's procedures on financial reporting and the compliance of the provisions under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**");

- (i) to prepare for the Board's review and approval the disclosure of, in the corporate governance report, a narrative statement on how the Company has complied with the risk management and internal control code provisions during the reporting period. In particular, the Company should disclose:
  - i. the process used to identify, evaluate and manage significant risks;
  - ii. the main features of the risk management and internal control systems;
  - iii. an acknowledgement by the Board that it is responsible for the risk management and internal systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;
  - iv. the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and
  - v. the procedures and internal controls for the handling and dissemination of inside information; and
- (j) to conduct any other matters delegated by the Board.

## **6. Notice of Meetings**

- 6.1 A meeting of the Risk Management Committee may be convened by any of its members through the company secretary of the Company.
- 6.2 For regular meetings and as far as practicable for all other meetings, an agenda and accompanying documents should be sent to all members of the Risk Management Committee in a timely manner and at least three (3) days before the intended date of meeting (or such other period as the members may agree).

## **7. Frequency and Proceedings of Meetings**

7.17 Meetings shall be held as and when appropriate, but at least once annually or at such frequency as required under the GEM Listing Rules or other regulatory requirements applicable to the Company from time to time.

7.18 The Chairman may convene additional meetings at his discretion.

7.19 The Chairman (or in his or her absence, a member designated by the Chairman) shall preside at all meetings of the Risk Management Committee. The Chairman shall be responsible for leading the Risk Management Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.

7.20 As necessary or desirable, the Chairman may request that members of management and/or members of the Board be present at the meeting of the Risk Management Committee.

## **8. Reporting Procedures**

8.1 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.

8.2 Where the Board resolves to approve any decision which the Risk Management Committee disagrees, the Board should disclose the reasons for its resolution in its next corporate governance report.

## **9. Minutes**

- 9.1 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.
- 9.2 Minutes of Risk Management Committee meetings 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.

## **10. General**

- 10.1 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 GEM Listing Rules.
- 10.2 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 HKEx News website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.zhengliholdings.com](http://www.zhengliholdings.com)).