

CHINA LILANG LIMITED

**Terms of Reference of
the Risk Management Committee of the Board of Directors**

CHINA LILANG LIMITED

Terms of reference of the Risk Management

(_____)

1. Constitution

- 1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 11 December 2015. 2015
- 12 11

2. Membership

- 2.1 Members of the Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members and a majority of whom shall be executive directors.
- 2.2 The Chairman of the Committee shall be appointed by the Board who shall be an executive director.
- 2.3 The company secretary of the Company shall be the secretary of the Committee. In the absence of the secretary of the Committee, Committee members present at the meeting may elect among themselves or appoint another person as the secretary for that meeting.

2.4 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee. An appointment of Committee member shall be automatically revoked if such member ceases to be a member of the Board.

3. **Proceedings of the Committee** _____

3.1 ***Notice:***

(a) Unless otherwise agreed by all the Committee members, a meeting shall be called by at least 14 days' notice. Irrespective of the length of notice being given, attendance of a Committee member at a meeting constitutes a waiver of such notice unless the Committee member attending the meeting attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the meeting has not been properly convened. (a) 14

(Regular meetings should be called by, so far as practicable, at least 14 days' notice pursuant to paragraph A.1.3 of Appendix 14 of the Listing Rules) (A.1.3

14)

(b) A Committee member may and, on the request of a Committee member, the secretary to the Committee shall, at any time summon a Committee meeting. Notice shall be given to each Committee member in person orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine. (b) (

)

(c) Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting. (c) ()

(d) Notice of meeting shall state the purpose, time and place of the meeting. An agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting should generally be delivered to all Committee members 7 days (and in any event not less than 3 days) before the intended date of the Committee meeting (or such other period as all the Committee members may agree). (d) 7
3 ()

3.2 **Quorum:** The quorum of the Committee meeting shall be two members of the Committee.

3.3 **Attendance:** The Company's Chief Financial Officer and staff setting up internal control procedures shall normally attend meetings of the committee. Other Board members shall also have the right of attendance.

3.4 **Frequency:** Meetings shall be held at least once a year or more frequently if circumstances require. 1

4. **Written resolutions** _____

4.1 Written resolutions may be passed by all Committee members in writing.

5. **Alternate Committee members** _____

5.1 A Committee member may not appoint any alternate.

6. Authority of the Committee

6.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (together, the “**Group**”) and any professional advisers in order to perform its duties, to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee; (a) (“ ”)

- (b) to obtain, at the Company’s costs, outside legal or other independent professional advice on or assistance to any matters within these terms of reference, and to secure the attendance of outsiders with relevant experience and expertise at its meetings if it considers this necessary; (b)

- (c) to commission reports or surveys as are necessary to help it fulfill its duties at the costs of the Company; (c)

- (d) to review annually these terms of reference and their effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary; (d)

- (e) to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 7 below can be properly discharged; and (e)

- (f) to delegate its authority to subcommittees or the chairman of the Committee when it deems appropriate and in the best interests of the Group. (f)

6.2 The Committee should be provided with sufficient resources to perform its duties.

7. Duties of the Committee

7.1 The Committee is responsible to: _____ :

- (a) evaluate and determine the nature and extent of risks it is willing to take in achieving the Company's strategic objectives; (a)
- (b) ensure that the Company establishes and maintains appropriate and effective risk management systems; and (b)
- (c) oversee management in the design, implementation and monitoring of the risk management systems. (c)

7.2 The duties of the Committee shall include the following aspects:

- (a) to review and assess the effectiveness of the Company's risk management system, and proposed changes thereto, to identify, measure, manage and/or control risks; (a) / ;
- (b) to discuss the risk management system with management to ensure that management has performed its duty to have an effective risk management system; (b)
- (c) to consider major investigation findings on risk management matters as delegated by the Board or on the Committee's own initiative and management's response to these findings; (c)
- (d) to consider the changes in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and external environment; (d)
- (e) to consider the scope and quality of management's ongoing monitoring of risks; (e)

(f) to consider the extent and frequency of communication of risk monitoring results to the Committee which enables it to assess the effectiveness of risk management; (f)

(g) to consider such other matters as defined and assigned by the Board from time to time; and (g)

(h) to report to the Board on the matters set out above. (h)

8. Minutes and records

8.1 The secretary shall, at the beginning of each meeting, ascertain and record the existence of any conflicts of interest and minute them accordingly. The relevant member of the Committee shall not be counted towards the quorum and he must abstain from voting on any resolution of the Committee in which he or any of his associates has a material interest, unless the exceptions set out in note 1 to Appendix 3 of the Listing Rules apply.

8.2 Full minutes of the meetings of the Committee and all written resolutions of the Committee should be kept by the secretary of the Committee. The secretary of the Committee shall circulate the draft and final versions of minutes of the meeting of the Committee or, as the case may be, written resolutions of the Committee to all members of the Committee for their comment and records respectively within a reasonable time after the meeting or before the passing of the written resolutions.

8.3 The secretary of the Committee shall keep record of all meetings of the Committee held during each financial year of the Company and records of individual attendance of members of the Committee, on a named basis, at meetings held during that financial year.

9. Continuing application of the articles of association of the Company

9.1 The articles of association of the Company regulating the meetings and proceedings of the directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

10. Powers of the Board

10.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Corporate Governance Code set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

11. Publication of the terms of reference of the Committee

The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of the Company and on the website of the Stock Exchange of Hong Kong Limited.