

Merry Garden Holdings Limited

美麗家園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Terms of Reference of the Risk Management Committee

Adopted and passed on 26 March 2015 by the Board

Definitions

Board	means the board of Directors
Company	means Merry Garden Holdings Limited 美麗家園控股有限公司
Director(s)	means director(s) of the Company
Group	means the Company and its subsidiaries from time to time
Independent Non-Executive Directors	means the independent non-executive Directors
Listing Rules	means the Rules Governing the Listing of Securities on the Stock Exchange
Risk Management Committee	means the Risk Management Committee of the Board
Senior Management	means the staff regarded as senior management of the Group by the Board
Stock Exchange	means The Stock Exchange of Hong Kong Limited

Purpose of the Risk Management Committee

The Risk Management Committee shall be accountable to the Board and shall assist the Board in providing leadership, direction, and oversight with regard to the Group's overall risk appetite and tolerance and risk management framework, including risk policies and process and controls.

Constitution

1. The members of the Risk Management Committee shall be appointed by the Board and shall consist of not less than three Directors, a majority of whom should be Independent Non-Executive Directors.
2. The chairman of the Risk Management Committee shall be appointed by the Board and shall be an Independent Non-Executive Director. In the case of equality of votes, the chairman of the Risk Management Committee shall have a second or casting vote.
3. The secretary of the Risk Management Committee shall be the company secretary of the Company. The secretary of the Risk Management Committee shall, as far as practicable, attend all meetings of the Risk Management Committee.

Declaration of Interests

4. Each member in the Risk Management Committee shall declare to the Risk Management Committee any of his/her personal financial interest in connection with any matter to be resolved by the Risk Management Committee and any potential conflict of interest in connection with such matter. Any member with such interest or relates to such potential conflict of interest shall be abstained from voting in the Risk Management Committee's resolution and discussion in respect of the related matters. The interested member shall resign if requested by the Board.

Meeting Procedures

5. The Risk Management Committee shall meet at least twice a year and the Chairman of the Risk Management Committee may call additional meetings to examine and consider such other matters related to its responsibilities as the Risk Management Committee may consider desirable. Any member of the Risk Management Committee may request a meeting if they consider it necessary.
6. The Risk Management Committee shall meet with the management and other invitees in separate sessions where appropriate to ensure that there are no unresolved issues of concern.
7. A quorum shall comprise two members of the Risk Management Committee. In the absence of the Chairman, the remaining members present shall elect one of the other Non-Executive Directors to chair the meeting.
8. The Risk Management Committee may invite any other director, executive, or other person to attend any meeting(s) of the Risk Management Committee as it may from time to time consider desirable to assist the Risk Management Committee in the fulfilment of its duties.
9. The Chairman of the Risk Management Committee shall be responsible for reporting to the Board. The minutes of all meetings and resolutions of the Risk Management Committee shall be circulated to the members of the Risk Management Committee and to the Board. The Secretary will retain copies of the minutes and papers.

Access

10. The Risk Management Committee shall have full access to management and may invite members of management or others to attend its meetings.
11. The Company should provide the Risk Management Committee with sufficient resources to perform its duties, including but not limited to obtaining independent professional advice and assistance from internal or external legal, accounting or other advisors at the expense of the Company if necessary.

Reporting Procedures

12. The Risk Management Committee shall evaluate and assess its effectiveness and the adequacy of these Terms of Reference on an annual basis and recommend any proposed changes to the Board.
13. The Risk Management Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

Authority

14. The Risk Management Committee is authorized by the Board to:
 - a. Investigate any activity within its terms of reference, and make any recommendations to the Board which it deems appropriate on any area within its remit where action or improvement is needed;
 - b. Seek any information that it requires from any director or employee of the Group, with access to all facilities of the Group, and from the board or committee of any subsidiary company, and the Board directs that directors of all Group companies and all employees co-operate with any request made by the Risk Management Committee;
 - c. Obtain at the Group's expense appropriate external professional advice, through the Company Secretary, and if necessary invite external advisers with relevant experience to attend meetings of the Risk Management Committee and delegate any of its duties as is appropriate to such persons or person as it thinks fit.

Duties

15. The Risk Management Committee, in carrying out its duties under these Terms of Reference, shall:

a. Oversight of risk management

- i. Review the Group risk, capital and liquidity management framework, the Group's risk appetite, its risk policies and standards, and supporting risk limits, including the parameters used and the methodology adopted, and the processes used for identifying and assessing risks. Approve risk policies and standards, referring any material new policies/standards or material changes to existing policies/standards/limits to the Board for approval.
- ii. Review material risk exposures of the Group, including market, credit, insurance, operational, liquidity, and economic and regulatory capital risks against the Group's risk measurement methodologies and management actions to monitor and control such exposures.
- iii. Review the standard for accurate and timely monitoring of large exposures and certain risk types of critical importance.
- iv. Review the Group's capability to identify and manage new risk types.

b. Oversight of risk tolerance

- i. Receive reports and recommendations from management on the Group's attitude to and tolerance of risk, including financial and non-financial risks.
- ii. Oversee the Group's processes and policies for determining risk tolerance and review management's measurement and effectiveness of, and compliance with, approved Group risk tolerance levels and policies and standards, and the resultant action in respect of policy breaches.
- iii. Review the risks inherent in strategic transactions and business plans and provide the Board with input on the risk/reward trade offs implicit within those plans.
- iv. Review the Group's capability to identify and manage new risk types.
- v. Review the Group's stress tests to ensure they are rigorous and the Group responds adequately to the results.

c. Factors to consider

The Risk Management Committee, in its review of the above, shall consider:

- i. the changes, since the last review, in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- ii. the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of the Group's internal audit function and other assurance providers;

- iii. the extent and frequency of communication of monitoring results to the Board or the committee which enables it to assess control of the issuer and the effectiveness of risk management;
 - iv. significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and
 - v. the effectiveness of the Group's processes for financial reporting and Listing Rule compliance.
- d. Governance
- i. Conduct a regular review of its performance and terms of reference, and monitor that the Risk Management Committee is provided with sufficient resources to undertake its duties, and that sufficient training is provided to members on appointment and on an on-going basis to enable the Risk Management Committee to perform its function effectively and in accordance with the relevant professional standards, and recommend any changes it considers necessary to the Board for approval.
- e. Other duties
- i. Consider any other matters, as referred to it from time to time by the Board.
 - ii. Make any recommendations with respect to any of the above and other matters within its remit as the Risk Management Committee deems necessary or appropriate.
 - iii. Oversee any investigation of activities within its remit.

Other Matters

- 16. The Risk Management Committee should provide the Board relevant information which is essential to assist the Board to report to the shareholders of the Company in accordance with the Listing Rules or other regulations of regulatory authorities in respect of the corporate governance matters.
- 17. The chairman of the Risk Management Committee shall attend the annual general meeting of the Company to answer the questions raised by the shareholders on risk management matters.
- 18. The terms of reference of the Risk Management Committee shall be made available to the public on the websites of the Stock Exchange and the Company.

Application of the Articles of Association of the Company

19. For anything not covered in these terms of reference, the applicable provisions of the Articles of Association of the Company on meeting procedures shall apply.

Rights of the Board

20. The Board may, subject to the Articles of Association of the Company and the Listing Rules (including the Code on Corporate Governance Practices under Appendix 14), amend, supplement and revoke the terms of reference and procedures of the Risk Management Committee, provided that no such amendments and supplements and revocation shall invalidate the resolutions resolved or action taken by the Risk Management Committee prior to any relevant actions and resolutions of the Risk Management Committee.