國浩集團有限公司
Guoco Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 53)

(The English version shall always prevail in case of any discrepancies or inconsistencies between English version and its Chinese translation.)

TERMS OF REFERENCE
BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

1. CONSTITUTION

The Board of Directors (the "Board") of Guoco Group Limited (the "Company", together with its subsidiaries, the "Group") requires that the businesses of the Group conduct themselves in accordance with acceptable ethical standards and comply with all applicable laws, regulations and the policies and directives of the Board. To meet these objectives, satisfactory and functioning systems of risk management and internal control, and adequate monitoring must be maintained.

On 9 October 1998, the Board resolved to establish the Board Audit Committee (the "Committee") and adopted the terms of reference (the "Terms of Reference") for the Committee. On 19 February 2016, the Board has resolved to rename the Committee as Board Audit and Risk Management Committee.

2. ORGANISATION AND MEMBERSHIP

(a) The Committee shall be appointed by the Board from amongst the non-executive directors (majority of them shall be independent) and shall consist of not less than three members. A quorum shall be two members who shall be independent non-executive directors.

(b) The Chairman and other members of the Committee shall be appointed by the Board and the Chairman should be an independent director.

(c) If a member resigns, ceases to be a director or for any other reason ceases to be a member of the Committee resulting in a reduction of the number of members below the minimum, the Board shall, as soon as practicable and in any event within three months of that event, appoint such number of new members as may be required to make up the minimum.

(d) The Board may at any time dissolve the Committee or reorganise the composition thereof or redesignate the powers, authorities or discretions thereof or after its dissolution re-establish the same, upon such terms and conditions as the Board shall determine.

3. MEETINGS AND ATTENDANCE

(a) Meetings shall be held not less than four times a year. The Chief Executive, Chief Financial Officer and Head of Internal Audit shall be invited to attend the Committee meetings (including by electronic means e.g. via telephonic, video and web conference and other devices). The external auditor shall be invited to attend at least two of the meetings held in a year. The Committee may invite any other Board members, such members of the executive management of the Group and/or such other persons as they shall deem appropriate to attend the Committee meetings. Other Board members shall also have the right of attendance. The Committee will have a separate session with the external auditor without the presence of the Executive Director(s) and management, if so wished by the external auditor.

(b) A resolution in writing signed by the majority of the members from the Committee (provided that a majority of the members participating in such a decision shall be independent) shall be as valid and effectual as if it had been passed at a meeting of the Committee. Any such resolution may be contained in a single document or may consist of several documents in like form, signed by one or more of the members. For the purpose of these regulations, “in writing” and “signed” include approval by e-mail, telex, facsimile, cable, telegram and other electronic transmission means.

(c) The Company Secretary of the Company shall be the secretary of the Committee.

4. AUTHORITY

The 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 director or member or management and they are directed to co-operate with any request made by the Committee. The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

5. DUTIES

The duties of the Committee shall be:

Relationship with the auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity, including to:

(i) consider the relationship between the Company and the audit firm; and

(ii) obtain from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services;

(c) to review and monitor the effectiveness of the audit process in accordance with the applicable standards, and to discuss with the external auditor before the audit commences the nature and scope of the audit and reporting obligations and to ensure co-ordination where more than one audit firm is involved;

(d) to develop and implement policy on engaging an external auditor (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(e) to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

(f) to monitor integrity of the Company's financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein, and to review these financial statements and reports before submission to the Board, focusing particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgemental areas;

(iii) significant adjustments resulting from the audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and legal requirements in relation to financial reporting.

(g) regarding (f) above, to liaise with the Board and senior management, and 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;

Oversight of financial reporting system, risk management and internal control systems

(h) to review the financial controls, risk management and internal controls systems;

(i) to ensure that the effectiveness of the risk management and internal control systems of the Group is reviewed at least annually, and management to provide a confirmation on the effectiveness of these systems, and the scope of the review should cover all material controls, including financial, operational and compliance controls;

(j) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have appropriate and effective risk management and internal control systems. This discussion should include the change in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment, the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers, the adequacy of resources for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the accounting, internal audit, and financial reporting function, as well as those relating to the ESG performance and reporting;

(k) to review the extent and frequency of communication of monitoring results to the Committee and the Board for the purposes of assessing the adequacy and effectiveness of the Group's risk management and internal control systems;

(l) 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 to these findings. This would include significant control failings or weaknesses identified and 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 Group's financial performance or condition; and any remedial measures taken to address such control failings or weaknesses;

(m) 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 controls and management's response;

(n) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its audit scope and plan, functions, competency and effectiveness;

(o) to review the Group's financial and accounting policies and practices;

(p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(q) to develop and review the whistleblowing policy and system for employees of the Company or those who deal with the Company to raise concerns, in confidence and anonymity, about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action and to review the findings of investigations and follow-up actions;

(r) to develop and review the Company's policies and practices on anti-bribery and anti-corruption, ensure their relevance and effectiveness, and make recommendations to the Board;

(s) to oversee, evaluate and review the Group's ESG risks, and to ensure appropriate and effective ESG risk management system is in place;

(t) to review and monitor the status of material litigation with potential negative financial impact to the Group; and

(u) to report to the Board on the matters in this section.

Other functions as may be agreed to by the Committee and the Board.

6. MINUTES AND REPORTING PROCEDURES

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member shall abstain from reviewing and deliberating on the subject matter.

Minutes of the Committee meetings shall be kept by the secretary of the Committee and shall be sent to all members of the Committee within 14 days after the relevant meeting.

The secretary of the Committee shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

7. ANNUAL GENERAL MEETING

The Chairman of the Committee (or in his absence, another member of the Committee) shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the activities of the Committee and their responsibilities.

8. REVIEW OF THIS TERMS OF REFERENCE

The Committee should review this Terms of Reference from time to time, and at least annually, to ensure effectiveness and alignment with latest requirements of the Listing Rules and Corporate Governance Code as applicable and considered appropriate. The Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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