

**EDICO Holdings Limited**

**鉅京控股有限公司\***

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

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**TERMS OF REFERENCE OF  
THE RISK MANAGEMENT COMMITTEE**

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Adopted by resolution of the Board of Directors on 16th January 2018

\* *For identification purpose only*

# **EDICO Holdings Limited**

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

(the “Company”)

### **Terms of Reference of the Risk Management Committee** (the “Committee”)

#### **Membership**

1. The Committee shall consist of not less than three members appointed by the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company. The constitution of the Committee shall comply with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) as amended from time to time..
2. The Board shall nominate one of the members of the Committee as the chairman of the Committee.

#### **Frequency and proceedings of meetings**

3. The Committee shall meet at least once every year. Additional meetings shall be held as the work of the Committee demands.
4. The chairman of the Committee may convene additional meetings at his discretion.
5. The quorum of a meeting shall be two members of the Committee.
6. The Committee may, from time to time, invite advisors to the meeting, including but not limited to external advisors or consultants to advise its members.
7. Proceedings of meetings of the Committee shall be governed by article 117 and article 118 of the articles of association of the Company or any other applicable regulations as may be considered appropriate and/or adopted by the Company from time to time.

#### **Duties, powers and functions**

8. The Committee shall:

##### *Establishment of the risk management system*

- (a) consider and formulate risk management framework and shall provide guidelines to the management on risk management by setting up procedures to identify, assess and manage material risks faced by the Group;

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- (b) ensure the management discharges its responsibility in establishing an effective risk management system;
- (c) systematically organize, mitigate and monitor risks and identify, assess and manage material risks faced by the Group, including but not limited to strategic, financial, operational, legal and regulatory risks;

*Oversight of risk management system*

- (d) review and assess regularly the adequacy and effectiveness of the Group's risk management framework, internal control systems relating to risk management (other than internal financial control systems) and risk management policies and procedures in order to identify, assess and manage risks, and oversee their effective operation, implementation and maintenance;
- (e) be responsible for monitoring the implementation of risk control and ensuring appropriate internal risk controls are effectively implemented;
- (f) oversee the Group's risk management and internal control systems on an ongoing basis, and ensure that a review of the effectiveness of the Group's risk management and internal control systems is conducted at least annually and report to the shareholders of the Company in its Corporate Governance Report on how it met its responsibilities in its review of the risk management and internal control systems, which review should cover all material controls, including financial, operational and compliance controls of the Group;
- (g) provide advices to the Board as to the effectiveness of and improvements to be made to the existing risk management system;
- (h) review the internal control policies in respect of the control procedures of risks, including the risk management and the communication and co-operation with operating units;
- (i) review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;

*Assessment of risks*

- (j) review 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;
- (k) monitor the incidences of significant control failures or weakness that have been identified at any time during the period 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 Company's financial performance or conditions;

- (l) evaluate and advise on the risks involved in major decisions that need to be reviewed by the Board and solutions to the major risks;
- (m) 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;

*Resources and staffing*

- (n) ensure that the staff members responsible for implementing risk management systems and controls perform those duties independently of the Group's risk taking activities;
- (o) ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's risk management function;

*Reporting to the Board*

- (p) report any significant risk management issues to the Board and suggest solutions;
- (q) make recommendations on improvement of the Company's compliance and risk management;

*General*

- (r) do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
- (s) do any such things, as the Committee deem reasonable, to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the GEM Listing Rules or any applicable law.

**Reporting procedures**

9. The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board.

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