

## **Policies on Risk Oversight and Management of Material Business Risks**

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. The risk management system is established and implemented by the management of the Company. It consists of assessing, monitoring and managing operational, financial reporting and compliance risks for the Company. The MD and the CFO are required to declare, in writing to the Board, that the financial reporting, risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risks assessments cover the entire financial year and the period up to the signing of the annual financial report for all material operations of the Company.

The Company's risk management policies and procedures are aimed at ensuring risks are identified, assessed and appropriately managed. The Board reviews the status of the Company's risk profile annually. Each business unit is responsible and accountable for implementing and managing the standards required.

Major risks arise from such matters as project investment performance, interest rate and exchange rate movements, actions by competitors, counterparty risk, system risk, regulatory and policy changes by government, financial reporting and the purchase, development and application of information technology systems.

The Company strives to ensure that its services and products are of a high standard. The Board is responsible for the internal control framework, but recognizes that no cost-effective internal control system will preclude all human errors and irregularities. The Board's policy on internal control comprises the Company's internal compliance and control systems, including:

- operating unit controls – operating units confirm compliance with financial controls and procedures including information systems controls;
- functional specialty reporting- key areas subject to regular reporting to the Board include finance, operations and regulatory and compliance matters;
- Investment appraisal – guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority, and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- strict compliance with all financial services regulations;
- financial exposures are controlled. Further details of the Company's policies relating to interest rate management, foreign exchange rate management and credit risk management are included in the financial statements;

- business transactions are properly authorized and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with financial regulatory framework; and
- environmental regulation compliance.

Given the size, nature and stage of business development of the Company, the Board does not consider it necessary to establish an internal audit function. The Company has a number of alternative policies in place in relation to independent oversight of compliance with financial services legislation, such as the annual reporting to the financial supervisory and regulatory authorities by its statutory auditors for its Hong Kong regulated financial services business.