

**DIFFER GROUP HOLDING COMPANY LIMITED**  
**(“Company” , together with its subsidiaries, the “Group”)**  
**TERMS OF REFERENCE AND MODUS OPERANDI OF**  
**COMPLIANCE COMMITTEE**  
**(“Committee”)**

**Membership**

1. The Committee shall consist of not less than three members appointed by the board of directors of the Company (“**Board**”), all of whom shall be directors or members of senior management of the Company.
2. The Committee’s Chairman shall be appointed by the Board and must be a member of the senior management of the Company.
3. The company secretary of the Company or his nominee shall act as the Committee’s secretary.

**Frequency and proceedings of meetings**

4. The Committee should meet at least four times per year. Additional meetings should be held as the work of the Committee demands.
5. In addition, the chairman of the Committee may convene additional meetings at his discretion.
6. The quorum for a meeting shall be three members of the Committee.
7. Proceedings of meetings of the Committee shall be governed by articles 117 to 118 of the articles of association of the Company.

**Authority**

8. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorised by the audit committee of the Board (the “**Audit Committee**”) to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
9. The Committee shall review the quarterly report summarizing the significant information such as interest rate and status of pledged assets of all pawn loan transactions prepared by the Company’s finance department and report to the Board and the Audit Committee any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations with respect to the pawn loan business of the Group (including without limitation, the loan interest rate and status of pledged assets) which come to its attention and are of sufficient importance to warrant the attention of the Board and the Audit Committee.
10. The Committee is to be provided with sufficient resources to discharge its duties.

## **Responsibility**

11. The Committee is to assist the Board and the Audit Committee in maintaining the continuous compliance status of the Company by reviewing the (i) terms ; (ii) the pawn charge with regard to the statutory monthly interest rate charges; and (iii) the status of the pledged assets under the pawn loan transactions of the Group.

## **Duties, powers and functions**

12. The Committee is to:

- (a) be primarily responsible for reporting to the Audit Committee on the continuous compliance status of the Company;
- (b) review with the Group's management and internal auditor, the adequacy of the Group's policies and procedures regarding continuous compliance with the statutory requirements of pawn loan transactions;
- (c) apprise the Board and the Audit Committee of significant developments in the course of performing the above duties;
- (d) recommend to the Audit Committee and the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (e) review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations with respect to the pawn loan business of the Group;
- (f) review the Company's internal controls with respect to pawn loan transactions;
- (g) consider major investigation findings on compliance matters with respect to pawn loan transactions as delegated by the Audit Committee or the Board or on its own initiative and management's response to these findings;
- (h) report to the Audit Committee and the Board on above matters, identifying and making recommendations on any matters where action or improvement is needed; and
- (i) consider other topics, as requested by the Audit Committee and the Board.

13. The Committee shall also–

- (a) without prejudice to the generality of the foregoing:
  - (i) prepare reports on a quarterly basis for the review by the Board and the Audit Committee;
  - (ii) do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board and the Audit Committee;

and

- (iii) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board, the Audit Committee or contained in the Company's constitution or imposed by applicable legislation and regulations with respect to pawn loan transactions.

### **Reporting Procedures**

- 14. The Committee should report to the Audit Committee and the Board on a regular basis. At the next meeting of the Audit Committee following a meeting of the Committee, the chairman of the Committee shall report to the Audit Committee on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.

– END –