



Plover Bay Technologies Limited

珩灣科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1523)

(the “Company”)

RISK MANAGEMENT COMMITTEE

Terms of reference

(Adopted by the board of directors of the Company on 21 June 2016)

1. CONSTITUTION

- 1.1. The Risk Management Committee (the “**Committee**”) is established pursuant to a written resolution passed by the board (the “**Board**”) of directors (“**Directors**”) of the Company dated 29 February 2016.
- 1.2. Subject to the regulations contained in the Companies Law of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the articles of association (“**Articles of Association**”) of the Company, the procedures of the Committee shall be regulated by the provisions set out in these terms of reference.
- 1.3. The constitution of the Committee shall comply with laws and regulations applicable to the Company including any applicable requirements of the Listing Rules as amended from time to time.

2. MEMBERSHIP

- 2.1. Committee members must be appointed by the Board and shall consist of not less than three members.
- 2.2. Chairman of the Committee shall be appointed by the Board.
- 2.3. The Board may, from time to time, at their discretion, change the composition of the members of the Committee.

3. SECRETARY

- 3.1. The Committee may appoint the company secretary of the Company or any other person with appropriate qualification and experience as the secretary of the Committee. Full minutes of the meetings should be kept by the secretary.

4. MEETINGS

- 4.1. The Committee shall meet at least once a year. Additional meetings should be held as and when the work of the Committee demands.
- 4.2. Notice of meetings shall be given to all Committee members at least three (3) days before the meeting.
- 4.3. Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the Committee meeting. Such agenda and other documents should be sent in a timely manner and at least three days before the intended date of a meeting (or other period agreed by the Committee).
- 4.4. The quorum of a meeting shall be two members of the Committee.
- 4.5. The Committee members could attend the meetings in person, by telephone or by video conference.
- 4.6. A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 4.7. Only members of the Committee have the right to attend the Committee meetings. However, any director, executive or other person may be invited to attend the meetings when the Committee considers that their attendance can assist it to discharge its duties.
- 4.8. Unless otherwise stated herein, proceedings of meeting of the Committee shall be governed by the relevant provisions of the Articles of Association of the Company (as amended from time to time).

5. VOTING AT MEETINGS

- 5.1. Decisions shall be determined by simple majority, and in the vent of a tie (if any), the chairman of the Committee shall have the casting vote.

6. AUTHORITY

- 6.1. The Committee is authorised by the Board to investigate any activity within the terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 6.2. All members of the Committee can have access to the advice and services of the secretary who is responsible to the Committee for ensuring that procedures of the Committee, and all applicable rules and regulations, are followed.
- 6.3. The Committee shall be provided with sufficient resources to perform its duties and may seek independent legal or other professional advice in appropriate circumstances at the Company's expenses to perform its duties.

7. DUTIES

- 7.1. Main duties of the Committee should include:
 - (a) review the Company's risk management policies and standards, as well as the fundamental concepts and scope of compliance management;
 - (b) review and provide comment on the overall target and basic policy of the compliance and risk management;
 - (c) supervise and monitor the Company's exposure to sanctions law risks and implementation of the related internal control policies and procedures adopted by the Company;
 - (d) supervise and monitor the development of risk and compliance management system of the Company;
 - (e) review the settings and responsibilities of the Company's compliance and risk management, and to advise on the same;
 - (f) review the compliance reports and risk assessment reports that need to be reviewed by the Board, and to make recommendations on improvement of the Company's compliance and risk management;

- (g) review and monitor the training and continuous professional development of the Directors and senior management;
- (h) monitor the effective implementation of the risk and compliance management by the management of the Company, and to evaluate the performance of the senior management responsible for risk and compliance management;
- (i) continuously monitor the use of proceeds from the global offering, as well as any other funds raised through the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the countries which are the targets of economic sanctions as administered by the United States Department of Treasury’s Office of Foreign Assets Control (“**OFAC**”), Australia, the European Union and the United Nations, the laws of other countries and under international law, such as Bosnia, Cote D'Ivoire (Ivory Coast), Egypt, Iraq, Lebanon, Myanmar (Burma), Serbia, Russia and Ukraine (“**Sanctioned Countries**”) or persons and entities listed on OFAC’s Specially Designated Nationals and Blocked Persons List or on the sanction lists maintained by Australia, the European Union and the United Nations (“**Sanctioned Persons**”);
- (j) evaluate and advise on the risks involved in major decisions that need to be reviewed by the Board and solutions to the major risks;
- (k) make available its terms of reference, explaining the Committee’s role and the authority delegated to it by the Board by including them on the respective websites of the Stock Exchange and the Company;
- (l) with the assistance of the Company’s external professional adviser (if necessary) and the internal audit team to prepare a list of Sanctioned Countries (“**List**”) and provide a copy of the same to the sales team;
- (m) with the assistance of the Company’s external professional adviser (if necessary), regularly review and update the List and notify the sales team of any changes as soon as possible;

- (n) set up a policy for the sales team to deal with situation when they encounter any business with customers or potential customers from countries identified in the List or Sanctioned Persons;
- (o) review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries;
- (p) review the information (such as identity, nature of business, etc.) relating to the counterparty to the contract along with the draft business transaction documentation;
- (q) check the counterparty against the various lists of restricted parties and countries maintained by U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available and determine whether the counterparty is, or is owned or controlled by, a person located in a Sanctioned Country or a sanctioned person;
- (r) review and evaluate the effectiveness of the internal control policies and procedures with respect to sanctions law matters from time to time;
- (s) if necessary, engage external counsel to evaluation sanction risk and will adhere to appropriate advice provided by such external counsel;
- (t) if necessary, arrange external counsel to provide training programs relating to the sanction laws and relevant personnel to assist them in evaluating the potential sanction risks in the daily operations of the Company and its subsidiaries (the “**Group**”) and if necessary, conduct training courses for the sales team so as to enable them to familiarise themselves with the reporting requirements whenever they encounter any business dealings from customers or potential customers from countries identified in the List or with Sanctioned Persons;
- (u) review and evaluate the report prepared by the sales team before deciding whether the sales team should be allowed to continue to deal with customers or potential customers from countries identified in the List;

- (v) convene monthly meetings with the credit and risk control team, and to the extent necessary, the sales, procurement, finance and internal audit teams, to assess the latest sanction risk that the Company may be exposed to;
- (w) monitor the performance of the Company's undertaking to the Stock Exchange relating to sanctions matters;
- (x) regularly review the licencing status of each member of the Group to ensure that licence renewals are carried out prior to the expiry of the licences, and consider whether there are any requirements to obtain new licences or permits relevant to the business. If there are any possible requirements to obtain new licences or permits, the Committee will assess such requirements in order to assist each member of the Group to carry out steps in applying for such licences and permits; and
- (y) other matters as authorised by the Board.

8. REPORTING PROCEDURES

- 8.1. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.
- 8.2. Full minutes and written resolutions should be kept by the secretary of the Committee and shall be open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comments and records, within a reasonable time after the meeting. Written resolutions should be promptly sent to all Committee members for their records after the written resolutions are passed.
- 8.3. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the works and recommendations of the Committee since the last Board meeting (if any), unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements). At least once annually, the Committee should present a report in writing to the Board which addresses the work of the Committee during the year.

9. OTHERS

- 9.1. The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.

- 9.2. Any changes to the terms of reference shall be effective after they have been approved by the Board.