

# **Panda Green Energy Group Limited**

**熊貓綠色能源集團有限公司**

(incorporated in Bermuda with limited liability)

## **Terms of Reference of the Risk Control Committee**

Effective upon approval by the Board of Directors of the Company on 23 July 2013 and revised on 16 February 2016 and 18 January 2019

### **Chapter I General Provisions**

Rule 1 To establish and improve the risk management and internal control systems of Panda Green Energy Group Limited (the “Company”, and together with its subsidiaries, the “Group”), to oversee and strengthen the risk management and internal control systems as integrated in the operation and decision-making of the Company on an ongoing basis, and to evaluate and enhance the effectiveness of risk management and internal controls systems of the Group, the board of directors of the Company (the “Board”) has established the Risk Control Committee (the “RC Committee”) and formulated these Terms of Reference in accordance with the relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Companies Ordinance (Cap. 622, Laws of Hong Kong) and the Bye-laws of the Company (collectively the “Applicable Laws and Regulations”).

Rule 2 The RC Committee is a body established under the Board. It is primarily responsible for (i) assisting the Board in evaluating and deciding the risk level and risk appetite of the Group in achieving its strategic and business objectives; (ii) identification, mitigation and control of risks associated with significant investments, material operation and financial matters and other major activities of the Group; and (iii) making recommendations on improvement of the risk management and internal control systems of the Company. The RC Committee reports and is accountable to the Board.

Rule 3 In exercise of its authority and performance of its duties and responsibilities, the RC Committee shall comply with the requirements of the Applicable Laws and Regulations and these Terms of Reference.

## **Chapter II Composition**

Rule 4 The RC Committee shall consist of at least three directors of the Company nominated by the Nomination Committee and appointed by the Board.

Rule 5 The RC Committee shall have a chairman appointed by the Board among the members.

The chairman of the RC Committee shall be responsible for convening and presiding over the committee meetings. When the chairman is unable to chair a committee meeting, he shall designate another member to perform his duties on his behalf. In the absence of the chairman and/or a designated member by the chairman, the remaining members present shall elect one of themselves to chair the committee meeting.

Rule 6 The members of the RC Committee shall have a term of office of three years, and the term of office may be renewed by the Board. The appointment of the members of the RC Committee may be revoked, or additional members may be appointed to the RC Committee by separate resolutions passed by the Board.

Rule 7 When the number of the RC Committee members is less than the stipulated minimum numbers, the Board shall appoint new members as soon as possible.

Rule 8 The company secretary shall be the secretary of the RC Committee, who shall be responsible for preparation and coordination of the committee meetings.

## **Chapter III Duties and Authority**

Rule 9 The principal duties and authority of the RC Committee are:

(1) to review and conduct risk assessment on the significant investment projects, material operation and financial matters and other major decisions affecting the risk profile and exposure of the Group that require Board approval and make recommendations to the Board so as to enable the Board to make decisions with considered basis;

(2) to review the effectiveness, soundness and performance of the risk management and internal control systems of the Group and submit the review results to the Board for discussion;

(3) to conduct annual review on the nature and extent of the risks associated with the development, operation and other activities of the Group in achieving its strategic or business objectives or targets and make recommendations to the Board;

(4) to oversee the design, implementation and monitoring of the risk management and internal control systems of the Group carried out by the management and to discuss with the management to ensure that the management has performed its duty to have effective systems and report to the Board on annual basis or at such intervals as it considers appropriate;

(5) to identify weakness in the risk management and internal control systems and review major investigation findings on risk management and the extent to which they have resulted in unforeseen outcomes or contingencies that could have a material impact on the business or financial performance or condition of the Group and consider the management's response to these findings; and

(6) other matters entrusted by the Board.

Rule 10 In exercising its authority, the RC Committee shall comply with the requirements of the Applicable Laws and Regulations and these Terms of Reference, and shall not impair the legitimate interests of the Company and its shareholders.

Rule 11 The RC Committee shall be provided with sufficient resources to perform its duties and shall have access, at the Company's expense, to independent advice if necessary. When the RC Committee performs its duties, the relevant departments of the Company shall cooperate and provide assistance as required.

#### **Chapter IV Convening and Notice of Meeting**

Rule 12 A meeting of the RC Committee shall be convened by the chairman of the RC Committee, and, a written notice shall be given to all members at least three days prior to any such meeting being held unless all members unanimously waive such notice or consent to a shorter notice.

Rule 13 The RC Committee may invite other directors and other senior management of the Company to sit in on its meeting if it considers necessary.

Rule 14 The RC Committee shall regularly discuss with the head of internal audit and company secretary or such other members of the management in respect of the risk management and internal control systems and investigation findings.

Rule 15 The RC Committee may conduct its meetings by way of physical meeting or by means of a conference telephone, electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.

Rule 16 A notice of meeting of the RC Committee shall be given in writing, and shall include at least the following information:

- (1) the time and venue of the meeting;
- (2) the duration of the meeting;
- (3) the agenda to be discussed at the meeting;
- (4) the information and documents related to the agenda, if any;
- (5) the contact person of the meeting and contact information; and
- (6) the date of notice of the meeting.

Rule 17 A notice of meeting of the RC Committee shall be sent by fax, post or email etc. If written objection is not received within two days from the date of the notice, the addressee shall be deemed to have received the notice of meeting.

Rule 18 In the case of an emergency risk event, the Chairman of the Board or the chairman of the RC Committee may convene a special meeting without notice in advance.

### **Chapter V Proceedings and Voting Procedures**

Rule 19 A quorum of a meeting of the RC Committee shall be any two members. Other directors of the Company (who is not a committee member) may sit in on the meeting, but they are not entitled to vote on the proposals at the meeting.

Rule 20 A member of the RC Committee may attend the meeting in person, or appoint another member as his proxy to attend the meeting and exercise his right to vote. A member shall appoint only one other member as his proxy to exercise his right to vote

on each occasion. Appointment of two or more proxies to exercise his right to vote shall be invalid.

Rule 21 If a member of the RC Committee appoints another member as his proxy to attend the meeting and exercise his right to vote, he shall submit a power of attorney to the chairman of the meeting. The power of attorney shall be submitted to the chairman of the meeting prior to voting at the meeting.

Rule 22 A power of attorney shall be signed by the appointing member and the proxy, and shall include at least the following information:

(1) the name of the appointing member;

(2) the name of the proxy;

(3) the scope of the authorisation;

(4) the instruction as to how to vote on the proposed resolutions (voting for, voting against or abstaining) and the explanation as to whether the proxy may vote in his discretion in the absence of specific instruction;

(5) the validity period of the power of attorney; and

(6) the date of signing the power of attorney.

Rule 23 If a member of the RC Committee fails to attend the meeting in person or by proxy, his right to vote thereat shall be deemed to be waived. If a member of the RC Committee fails to attend two consecutive meetings either in person or by proxy, he shall be deemed to have failed to duly perform his duty, and may be dismissed from his office as a member by the Board.

Rule 24 In voting, each member of the RC Committee shall have one vote. A resolution of the committee shall be passed by a simple majority votes cast by all members attending the meeting.

Rule 25 All resolutions proposed at the meeting of the RC Committee shall be voted on one by one in sequence considered by all participating members and bundling of unrelated matters shall be discouraged.

Rule 26 If the chairman of the meeting considers necessary, he may require other persons related to a proposal to sit in on the meeting to give introduction or express

their opinions, but non-members are not entitled to vote on the proposal.

Rule 27 Participating members shall consider and sufficiently express their personal opinions on a proposal in a serious and conscientious manner, and be responsible for their own votes.

## **Chapter VI Resolutions and Minutes**

Rule 28 A resolution of the RC Committee becomes effective upon declaration by the chairman of the meeting that it has been carried by a simple majority and an entry to that effect in the book containing the minutes of the proceedings of the committee signed by the chairman of the committee meeting shall be conclusive evidence.

Rule 29 The chairman or secretary of the committee shall report to the Board on the resolutions no later than the next meeting of the Board after the committee meeting.

Rule 30 In the implementation of resolutions of the RC Committee, the chairman of the meeting or another member as he designates shall conduct a follow-up inspection on the implementation of the resolution. Where violation of the resolution is found, rectification may be demanded from the persons concerned. Should the persons concerned fail to accept such request, the chairman of the meeting or his designated member shall report the situation to the Board who shall be responsible for addressing the situation.

Rule 31 The secretary of the committee shall maintain written minutes of its meetings. Any participating member shall be entitled to require the explanatory remarks of his speech at the meeting to be recorded in the minutes.

Rule 32 Minutes of a meeting of the RC Committee shall include at least the following information:

- (1) the date and venue of the meeting and name of the chairman of the meeting;
- (2) the names of attendees, those attendees who are proxies shall be specified;
- (3) the agenda of the meeting;
- (4) the highlights of the members' speeches;
- (5) the voting method on each resolution or proposal and the corresponding voting results (numbers of votes for, against and abstaining shall be set out); and

(6) other matters which shall be explained or recorded in the minutes.

Rule 33 The meeting records of the RC Committee, including the notice of meeting, meeting materials, the power of attorney for proxy, voting papers, minutes as signed and confirmed by the chairman of the meeting and resolution records, etc., shall be kept by the secretary of the committee. The meeting records of the RC Committee shall be kept for ten (10) years.

Rule 34 Before the disclosure of the resolutions of the RC Committee by the Company in accordance with the statutory procedures, the participating members, the persons sit in on the meeting and the persons taking minutes and providing services, etc. shall keep the contents of the resolutions, the discussions, the proceedings and all documents tabled at the meeting confidential.

### **Chapter VII Abstention System**

Rule 35 Where a member of the RC Committee or his close relatives and other entity controlled by the member of the RC Committee and his close relatives has direct or indirect interest in the matters to be discussed at the meeting, such member shall disclose the nature and extent of such interest to the committee as soon as possible.

The term “close relatives” as referred to in the previous clause shall include a member’s immediate family members and family members within the meaning of Chapter 14A of the Listing Rules.

Rule 36 Upon the occurrence of the above situation, the interested member shall provide a detailed explanation of the situation at the meeting and shall specify that he will abstain from voting. However, if the other members of the RC Committee unanimously agree that such interest will not have material impact on the matters to be voted on after discussion, the interested member may vote.

Rule 37 When a quorum is not met after the interested member’s abstention, all members (including the interested member) shall resolve on the procedural issues such as the submission of such proposals to the Board for consideration, and the Board shall consider such proposals.

Rule 38 The minutes and resolutions of the RC Committee shall specify the abstention of the interested member.

## **Chapter VIII Work Assessment**

Rule 39 During adjournment of the meetings, a member of the RC Committee may conduct necessary follow-up procedures on matters such as significant investment projects, implementation of the risk management and internal control systems, material operations and financial position of the Company. All relevant departments of the Company shall actively cooperate with and timely provide the required information to the member.

Rule 40 A member of the RC Committee shall be entitled to inspect the following relevant information:

- (1) the annual business plan, investment plan and business objectives of the Group;
- (2) the financial statements of the Group;
- (3) the management systems of the Group, including and not limited to internal control and risk management systems; and
- (4) other relevant information for the performance of duties of the RC Committee.

Rule 41 A member of the RC Committee may make an inquiry to or question the senior management about certain issue, and the senior management shall give a timely reply or explanation.

## **Chapter IX Supplementary Provisions**

Rule 42 The term “senior management” as referred to in these Terms of Reference shall include the general managers, deputy general managers, company secretaries and financial controllers of any member of the Group.

Rule 43 Any matter not covered by these Terms of Reference shall be subject to the requirements of the Applicable Laws and Regulations.

Rule 44 These Terms of Reference shall be formulated, amended and interpreted by the Board.

Rule 45 These Terms of Reference shall be effective upon approval by the Board.

*[If there is any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.]*