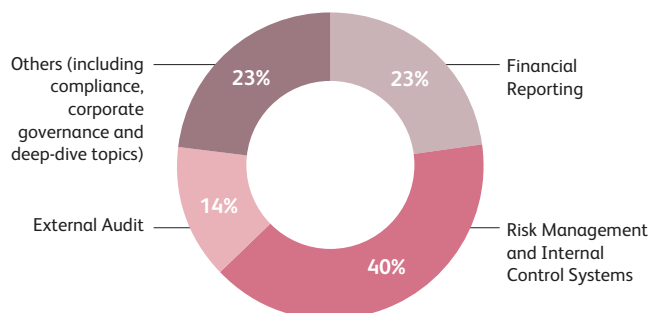


Audit and Risk Management Committee Report

Dear Shareholders,

We are pleased to present the Audit and Risk Management Committee's report for 2021, which provides an overview of the work undertaken by the Committee during the year. In 2021, the Committee continued to play a key oversight role for the Board in reviewing the Group's risk management and internal control systems, monitoring internal and external auditors and overseeing the financial reporting process. The most significant topics considered by the Committee during the year included rigorous assessment of the Group's enhanced risk management and internal control systems, major risks relating to COVID-19, procurement of some functions, cyber security and data privacy.

Committee activities and agenda time during the year



Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

Committee Members

Poon Chung Yin Joseph* (Chairman)

Churchouse Frederick Peter*

Fan Yan Hok Philip*

Lee Anthony Hsien Pin

* Independent Non-Executive Director

Highlights in 2021 and 2022

- Revised the Group's model of risk management
- Published the Group's Risk Appetite Statement
- Updated the Group's Risk Management Guidelines, facilitating the functional risk management process
- Engaged a professional service provider and conducted a technical information security assessment for the corporate infrastructure
- Undertook a new corporate culture audit
- Reviewed departmental inventories for data privacy management
- Reviewed procurement procedures of selected functions

Key responsibilities

- Oversee the integrity of the Group's financial management and reporting processes and the preparation of financial statements
- Review the risk management and internal control framework
- Review the effectiveness and adequacy of the risk management and internal control systems
- Review the major identified risks
- Assess and determine the risk appetite of the Group
- Oversee the Internal Audit
- Oversee the relationship with the external auditor and the provision of non-audit services

Meeting Schedule

The Audit and Risk Management Committee held four meetings during the year, with one of those meetings specifically focused on addressing dynamic risks and enhancing the risk management oversight function. The Board Chairman and management members (including the Executive Director and Chief Operating Officer, Chief Financial Officer and Group Financial Controller), internal auditor, external auditor and external valuer (as appropriate) attended the meetings by invitation to present updates and answer relevant questions, and thus facilitate the Committee's decision-making process. To further facilitate open dialogue and assurance, pre-meeting sessions with external and internal auditors were held without the management's presence.

Roles and Authorities

The Audit and Risk Management Committee's main roles and authorities are to:

- Oversee the Group's financial management and reporting processes and monitor the work carried out by the external auditor. Within this process, the management is responsible for the preparation of the Group's financial statements, including the selection of suitable accounting policies, while the external auditor is responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls in this regard. Formal statements of Directors' responsibility for the financial statements are contained in the "Financial Statements, Valuation and Other Information" section of this Annual Report;
- Review the Company's risk management and internal control systems;
- Review reports on major risks faced by the Group;
- Review resource adequacy and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget;
- Review the Group's Whistleblowing Policy. Under this policy, employees and related third parties who deal with the Group (e.g. consultants, contractors, suppliers, agents and customers) can raise concerns, in confidence or anonymously, about misconduct, malpractice or irregularities in any matters related to the Group. The Audit and Risk Management Committee ensures that the concerns raised are investigated and followed up as appropriate;
- Review the Anti-Fraud Policy. This is a separate policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud;
- Review the effectiveness of the Company's internal audit function;
- Oversee the Company's relationship with the external auditor; and
- Report its findings to the Board after each Audit and Risk Management Committee meeting.

Activities

Details of the meeting held in February 2021 were set out in the 2020 Annual Report.

From March 2021 to February 2022, the Audit and Risk Management Committee held four meetings. Details of matters discussed in the meetings are given below.

The Audit and Risk Management Committee Over the Past 12 Months

May 2021 meeting	Report from Internal Audit "Deep dive" topic Legal and regulatory update Risk management review and Risk Appetite Statement
August 2021 meeting	Interim results Property valuations External auditor report Risk management review Report from Internal Audit Legal and regulatory update
November 2021 meeting	External audit progress report Report from Internal Audit Risk management review Annual review of adequacy of resources Legal and regulatory update
February 2022 meeting	Annual results Property valuations Report from Internal Audit Annual review of risk management and internal control effectiveness Effectiveness and independence of external auditor External audit completion report External audit plan for 2022 Annual review of continuing connected transactions Legal and regulatory update

Financial Reporting

In terms of financial reporting, the Audit and Risk Management Committee reviewed and discussed with management and the external auditor, and recommended for approval to the Board, the unaudited financial statements for the first six months ended 30 June 2021; the audited financial statements for the year ended 31 December 2021; and the Independent Auditor's Report for the year ended 31 December 2021, prior to their publication. The Committee's review and recommendations were based on the external auditor's review work, as well as the following:

- Discussions with the external auditor and internal auditor regarding the scope of their respective reviews and findings;
- Discussions with management regarding significant parameters and judgments affecting the Group's financial statements, including the valuation of investment properties as at 30 June 2021 and 31 December 2021 by the independent professional valuer, Knight Frank Petty Limited; and
- A joint review with both management and the external auditor of the Key Audit Matters included in the Independent Auditor's Report for the year ended 31 December 2021.

Review of Risk Management and Internal Control Systems

Key initiatives in relation to our review of risk management and internal control systems during the year are given below:

- Risk Management Model of the Group: we revised how our risk management processes work and the structure of the core components within, in order to form an updated model;
 - Risk Appetite Statement: the Risk Appetite Statement was proposed by the Committee and adopted by the Board for the purpose of controlling group-wide risks and defining the type of risk scenarios the Group should avoid exposure to;
 - Update of Risk Management Guidelines: risk categories were reclassified, helping risk owners to identify and assess risks within their portfolios;
 - Technical Information Security Assessment: a professional service provider was engaged to conduct in-depth security penetration tests of the corporate infrastructure. Potential vulnerability issues were highlighted to guide the strengthening of network protections;
 - Culture Audit: a company-wide review was performed to assess the organizational culture;
 - Data Privacy Management: a new data privacy inventory was developed across departments and business units, expediting privacy risk monitoring; and
 - Procurement Control Review: reviews were conducted to strengthen the procurement control procedures of selected functions.
- In addition, the Audit and Risk Management Committee:
- Evaluated the financial aspects of the Group's strategy implementation;
 - Considered the Group's key corporate risks, including the overall business environment, operational risks, ESG risks and compliance, etc., with the overall approach being set by senior management;
 - Considered the key imminent risks and risk registers presented by the management;
 - Reviewed all legal and regulatory updates and trends that may affect the Group, and their implications;
 - Reviewed the methodology used by the Group's independent professional valuer, Knight Frank Petty Limited, in the valuation of its investment properties, and discussed the key judgements made by the valuers;
 - Reviewed resource adequacy and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget; and
 - Reviewed the annual risk management and internal control systems performance for 2021, based on:
 - Reports from Internal Audit on the review of the Company's continuing connected transactions for the year ended 31 December 2021, as well as the adequacy and effectiveness of the related internal control procedures;
 - Regular reports by management regarding major risks, movements in risk levels and mitigating actions, as well as special reports on select major risk items (as detailed above);
 - Regular reports from Internal Audit, including the implementation status of its recommendations;
 - Certification and confirmation of controls' effectiveness by management, covering financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal control, as well as the adoption of a control self-assessment questionnaire across the operating departments; and
 - Confirmation from the external auditor that it had not identified any control weaknesses in respect of the Group's financial reporting cycle during its audit.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee was satisfied as to the adequacy and effectiveness of the Company's risk management and internal control systems, including resource adequacy and staff qualifications and experience in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget. No significant areas of concern that might affect financial, operational and compliance controls, ESG compliance, internal audit, risk management or internal control were identified.

External Auditor

In terms of overseeing the relationship with the external auditor, the Audit and Risk Management Committee:

- Reviewed and considered the terms of engagement of the external auditor in respect of the Group's 2021 results (including the 2021 annual audit, the related results announcement, and the annual review of continuing connected transactions) and the annual update regarding its MTN Programme;
- Reviewed the audit progress report of the external auditor;
- Carried out the annual assessment of the auditor's qualifications, expertise, services and independence, remaining satisfied with the same. The assessment was performed by reviewing the management's detailed assessment of the external auditor's independence, service quality and remuneration level, as well as the annual confirmation of auditor's independence issued by the external auditor.

In particular, the assessment was satisfied that the auditor's independence and objectivity were not in any way impaired by the provision of non-audit services. All services were pre-approved by the Audit and Risk Management Committee. Appropriate policies and procedures have been established to identify audit and non-audit services, as well as prohibited non-audit services that might impair the independence of the auditor. Deloitte Touche Tohmatsu confirmed its independence with regard to the non-audit services provided. A rotation arrangement for the lead audit partner was also established and implemented by the auditor. The lead audit partner is required to comply with professional ethics and independence policies and requirements applicable to the work performed;

External Auditor's Services and Fees

	2021 HK\$ million	2020 HK\$ million
Audit Services	2.8	2.6
Non-audit Services (Note)	1.9	3.8
Total	4.7	6.4

Note:

"Non-audit services" include review consultancy services, agreed-upon-procedures reports, statutory compliance, and regulatory or government procedures related to financial, accounting or regulatory reporting matters with which the Group is required to comply.

- Reviewed and considered the 2022 audit service plan of the external auditor, and the terms of its engagement in respect of the 2022 interim results review; and
- Recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditor for 2022.

Internal Audit

The Audit and Risk Management Committee reviewed the internal audit plan regarding the key risks and business strategy of the Group, details of specific significant internal audit findings, management responses to audit reports issued during the year, and regular reports on implementation status. Following the Group's three-year audit plan, Internal Audit continuously conducted projects that highlighted control gaps for management rectification. Audit findings were raised via audit reports, including management responses regarding the status of subsequent follow-up and implementation.

Members' attendance records are disclosed in the table on page 55.

Evaluation

The Board and Committee evaluation process, which took place during the year, concluded that the Audit and Risk Management Committee was effective in fulfilling its roles in 2021. For details, please refer to the "Board Evaluation" section of the Corporate Governance Report (pages 59 to 60).

Members of the Audit and Risk Management Committee

Poon Chung Yin Joseph (Chairman)
Churchouse Frederick Peter
Fan Yan Hok Philip
Lee Anthony Hsien Pin

Hong Kong, 24 February 2022