

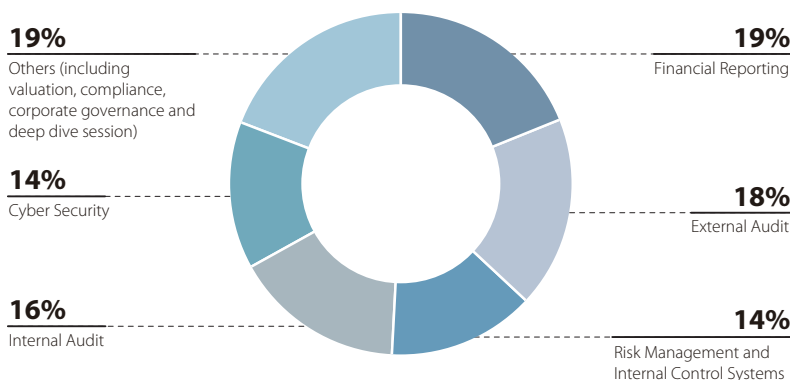
Audit and Risk Management Committee Report

Dear Shareholders,

We are pleased to present the report of the Audit and Risk Management Committee for 2024, which provides an overview of the works undertaken by the Committee during the year.

In 2024, 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 and reviewing the financial reporting and Listing Rules compliance process. The Committee further provided independent and impartial oversight in relation to the overall risk approach of the Group. Recommendations were also made on the Group's risk appetite, profile and tolerance.

Committee activities and agenda time during the year



Composition in 2024	Poon Chung Yin Joseph* (Chairman) Churchouse Frederick Peter* Zhang Yong* (appointed on 9 December 2024) Lee Anthony Hsien Pin Fan Yan Hok Philip* (ceased to be a member on 5 June 2024) * INED
Independence Weighting	75%
Meeting Schedule	<ul style="list-style-type: none"> Four meetings were held during the year, with two of those meetings specifically focused on addressing dynamic risks (including cyber security) and enhancing the risk management oversight function Two pre-meeting sessions were held with external and internal auditors, without the presence of the management, to further facilitate open dialogue and assurance
Highlights in 2024 and 2025	<ul style="list-style-type: none"> Strengthened corporate policies and procedures for risk management (including financial, operational and cyber security) Deep dive sessions with external auditors and independent professional valuers on the reasonableness of property and investment valuation Quarterly reviews of cash flow projections and bank facilities to ensure ongoing financial robustness Enhanced policy on disclosure of dividend decisions to improve transparency regarding shareholder returns Conducted the annual data privacy compliance review Conducted an annual review of the information security review and a review of general controls on information technology Conducted quarterly cost reviews for Lee Garden Eight Construction Project Conducted a group-wide procurement review Conducted a human resource operations review Ongoing monitoring and enhancement of risk management and internal control systems in accordance with the Listing Rules and other regulatory requirements

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;
- Review and assess the Company's risk management and internal control systems;
- Review reports on major risks faced by the Group;
- Assess and review the risk appetite, profile and tolerance of the Group;
- Review resource adequacy and staff qualifications, skillsets and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget;
- Review and ensure adequacy of corporate policies and procedures and effectiveness of the Group's compliance framework;
- Review the effectiveness of the Company's internal audit function; and
- Oversee the Company's relationship with the external auditor and provision of non-audit services.

ACTIVITIES

Details of the meeting held in February 2024 were set out in the 2023 Annual Report.

From March 2024 to February 2025, the Audit and Risk Management Committee held four meetings. The Board Chairman and senior management (including the ED & COO and CFO), internal auditor, external auditor and independent professional valuer presented updates and answered relevant questions to facilitate the Committee's decision-making process. Details of matters discussed in the meetings are given below.

Meetings of the Audit and Risk Management Committee Over the Past 12 Months

June 2024	August 2024	November 2024	February 2025
<ul style="list-style-type: none"> • Internal Audit Report • Cyber security • Deep-dive on "Market and Financial Risks: Sensitivity Analysis" • Legal and Regulatory Update 	<ul style="list-style-type: none"> • Interim Results • Property Valuations • Internal Audit Report • External Auditor Report • Legal and Regulatory Update 	<ul style="list-style-type: none"> • External Audit Progress Report • Risk Assessment • Internal Audit Report • Cyber security • Annual Review of Adequacy of Resources • Review and Update of Policy on Dividend Related Disclosures • Legal and Regulatory Update 	<ul style="list-style-type: none"> • Annual Results • Internal Audit Report • Property Valuations • Annual Review of Risk Management and Internal Control Effectiveness • Effectiveness and Independence of External Auditor • External Audit Completion Report • External Audit Plan For 2025 • Annual Review of Continuing Connected Transactions • Legal and Regulatory Update

Audit and Risk Management Committee Report

FINANCIAL REPORTING

The Audit and Risk Management Committee reviewed and discussed with management and the external auditor, and recommended to the Board for approval of the unaudited financial statements for the first six months ended 30 June 2024, the audited financial statements for the year ended 31 December 2024, and the Independent Auditor's Report for the year ended 31 December 2024, prior to their publication.

Within this process, management is responsible for the preparation of the Group's financial statements, including the selection and application of appropriate 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. Directors' responsibility for the financial statements are set out in the Corporate Governance section of this Annual Report.

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 judgements affecting the Group's financial statements, including the valuation of investment properties as at 30 June 2024 and 31 December 2024 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 2024.

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:

Corporate Policies and Procedures

We set out clear guidelines for policy owners regarding the establishment and ongoing review of corporate policies and procedures. This ensures the policies and procedures adequately address the business and strategic developments and mitigate the relevant emerging risks.

The Group saw significant advancements in strategic growth projects, including the construction of Lee Garden Eight, asset enhancements in the Lee Gardens Rejuvenation Project, and the rapid ramp-up of operations at Lee Gardens Shanghai, all supported by our robust group-wide procurement policy and process. In view of the significance of these key developments, we conducted a review of the group-wide procurement process to reinforce procurement controls and ensure their operating effectiveness. Procurement policies were also enhanced to address new functional needs and improve fraud prevention. In addition to the established financial and operational controls at Lee Gardens Shanghai, we have reinforced procurement controls by establishing clear guidelines for our procurement practices in Shanghai.

To further improve transparency in relation to shareholder returns, we have referred to the HKEx's consultation paper on Review of Corporate Governance Code (June 2024) and enhanced our policy on disclosure concerning the Board's dividend decisions.

The ARC's strong leadership plays a crucial role in enhancing internal audit capabilities. It also effectively monitors existing risks and proactively identifies emerging ones.

Directors' comments received in Board Evaluation 2024

Data Privacy

The Data Privacy Management Group, comprising compliance experts from the management team, oversees the data privacy risks and control system of the Group.

An annual data privacy compliance review was conducted for the Group (including the Shanghai operation), ensuring compliance with applicable laws as well as relevant corporate policies and statements regarding the collection, use, storage and retention of personal data.

Data privacy management procedures are in place with clear guidelines set on data collection, access, data inventory maintenance, internal and external communication, and incident response protocols. With operations commencing in Shanghai, new privacy compliance procedures in respect of property management and marketing specifically for Lee Gardens Shanghai were also adopted in 2024 to further enhance compliance with PRC privacy laws and reinforce our commitment to maintaining robust privacy standards.

To further ensure staff awareness of handling personal information and adherence to data privacy management procedures in all functional areas, all employees were required to complete mandatory annual training in data privacy to refresh their knowledge and understanding of the latest data privacy practices and regulations.

Internal Controls

Each year, the Group carries out an annual internal control self-assessment. In 2024, all department and unit heads completed a control self-assessment questionnaire tailored to their specific operations and functional risks. This process promote alignment between the leadership's tone at the top and the bottom-up insights and risk assessments provided by the functional teams.

Furthermore, we maintained our commitment to the continuous monitoring and strengthening of our internal controls. This effort aligns with the requirements of the Listing Rules and other relevant regulatory standards.

Capital and Financial Management

In response to the risks stemming from economic uncertainties and the Group's capital commitment to major construction projects, we have intensified our monitoring and control processes for managing our capital management, liquidity buffer and cost controls. The management team undertakes several key actions to ensure financial robustness by (i) constantly evaluating the Company's credit metrics, cash deployment, funding plans, liquidity buffers, and funding costs to maintain financial health and manage exposure to market changes, (ii) taking appropriate action in view of the market environment and outlook, and (iii) providing comprehensive updates to the Board through quarterly and ad hoc reports, ensuring transparency and informed decision-making at all levels.

INFORMATION SECURITY

The Audit and Risk Management Committee places great emphasis on information security and has a primary oversight responsibility for cyber security risks. The topic of information security is a regular item on the Committee's meeting agenda in the June and November Committee meetings. During the meetings, senior management provided regular updates on matters relating to information security of the Group, including regular reviews and assurance on the security of the infrastructure and updates on system enhancements. The Committee dedicated substantial time in numerous discussions on this issue.

Annual Information Security Review

In 2024, we engaged external experts to conduct an independent comprehensive review of the Group's information system and technical infrastructure, assessing cyber security maturity and all network changes implemented throughout the year. This evaluation helped identify and mitigate potential cyber security risks and vulnerabilities, guiding our efforts to fortify key information technology infrastructure and enhance network protection.

Audit and Risk Management Committee Report

Information Technology General Controls Review

We performed an audit of the information technology general controls, focusing on evaluating the effectiveness of security measures and operational objectives in daily operations. This critical review not only confirmed the robustness of our IT controls but also ensured their adaptability to address emerging threats, thereby maintaining the resilience of our technological framework.

Ongoing Cyber Security Management

During the year, the Committee undertook an ongoing review of the Group's information system to confirm that our current cyber security measures meet essential standards and requirements for effectively safeguarding the Group against cyber threats. After a thorough review of updates from management and assessments by external professional experts, the Committee concluded that our information security system is both adequate and fit for purpose.

Recognising the critical importance of cyber security awareness, we mandated annual cyber security awareness training for all employees. In 2024, we introduced a tailored cyber security awareness training programme, featuring a series of courses covering a broad spectrum of relevant topics. This initiative is designed to enhance the overall security posture of the Company by equipping our staff with the knowledge and skills necessary to identify, mitigate and respond to cyber security threats.

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 and ESG risks and compliance, with the overall approach 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 valuer;
- 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 2024, based on the following:
 - Reports from the GIA on the review of the Company's continuing connected transactions for the year ended 31 December 2024, as well as the adequacy and effectiveness of the related internal control procedures;
 - Regular reports from management regarding major risks, movements in risk levels and mitigating actions, as well as special reports on major risk items identified (as detailed above);
 - Regular reports from the GIA, 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.

The Audit and Risk Management Committee was satisfied with 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, cyber security, internal audit, risk management or internal control were identified.

THE FOLLOWING MEASURES ARE IN PLACE TO ENSURE THE INDEPENDENCE OF EXTERNAL AUDITORS:

- Detailed assessment of the external auditor's independence, service quality and remuneration level;
- Annual confirmation of the auditor's independence issued by the external auditor;
- A rotation arrangement for the lead audit partner was established and implemented by the external auditor;
- The lead audit partner is required to comply with professional ethical standards and independence policies and requirements applicable to the work performed;
- The award of any non-audit services provided by the Group's external auditors (and their affiliates) is subject to the Group's procurement policy, which is consistent with all other third-party vendor relationships;
- All non-audit services were pre-approved by the Audit and Risk Management Committee; and
- 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. The external auditor confirmed its independence with regard to the non-audit services provided.

A summary of the external auditor's services and fees for the years ended 31 December 2024 and 2023 is as follows:

	2024 HK\$ million	2023 HK\$ million
Audit services	3.5	3.5
Non-audit services		
– Recurring (Note a)	0.6	0.6
– One-time transactional		
• Technology services (Note b)	7.4	7.0
Total	11.5	11.1

Notes:

- (a) Recurring services include statutory compliance and regulatory or government procedures required to comply with financial, accounting or regulatory report matters.
- (b) Deloitte Advisory (Hong Kong) Limited ("Deloitte Consulting") was appointed to provide technology services, system integration and application management for our customer relationship management ("CRM") platforms based on their demonstrated subject matter expertise in implementing similar CRM solutions, proven track record from past projects and competitive pricing presented through a rigorous tender process. To maintain the Auditor's independence, the External Auditor confirmed that such technology services are provided by professionals from Deloitte Consulting who are not audit engagement team members and Deloitte Consulting did not assume any management responsibility during the provision of such services. In 2024, the development of the CRM platforms was completed and launched.

Audit and Risk Management Committee Report

EXTERNAL AUDITOR

The Group engaged Deloitte Touche Tohmatsu as the external auditor of the Company and regards their independence as crucial to the effectiveness of our corporate governance. In overseeing the Group's relationship with the external auditor and ensuring its independence, the Audit and Risk Management Committee:

- Reviewed and considered the terms of engagement of the external auditor in respect of the Group's 2024 results (including the 2024 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;
- Reviewed the annual assessment of the auditor's independence, qualifications, expertise and services, and remained satisfied with the same;
- Reviewed and considered the 2024 audit service plan of the external auditor and the terms of its engagement in respect of the 2024 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 2024.

The Audit and Risk Management Committee and the Group were satisfied that the auditor's independence and objectivity were not in any way impaired by the provision of non-audit services.

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 their implementation status. Following the Group's three-year audit plan, Internal Audit continually conducted projects that highlighted control gaps for management rectification. Audit findings were presented via audit reports, including management responses regarding the status of subsequent follow-up and implementation.

EVALUATION

The Board and Board Committee evaluation process, which took place during the year, concluded that the Audit and Risk Management Committee was effective in fulfilling its roles in 2024. For details, please refer to the "Board Evaluation" section of the Corporate Governance Report (pages 86 to 87).

Members' attendance records are disclosed in the table on page 84.

Members of the Audit and Risk Management Committee

Poon Chung Yin Joseph (Chairman)
Churchouse Frederick Peter
Zhang Yong
Lee Anthony Hsien Pin

Hong Kong, 18 February 2025