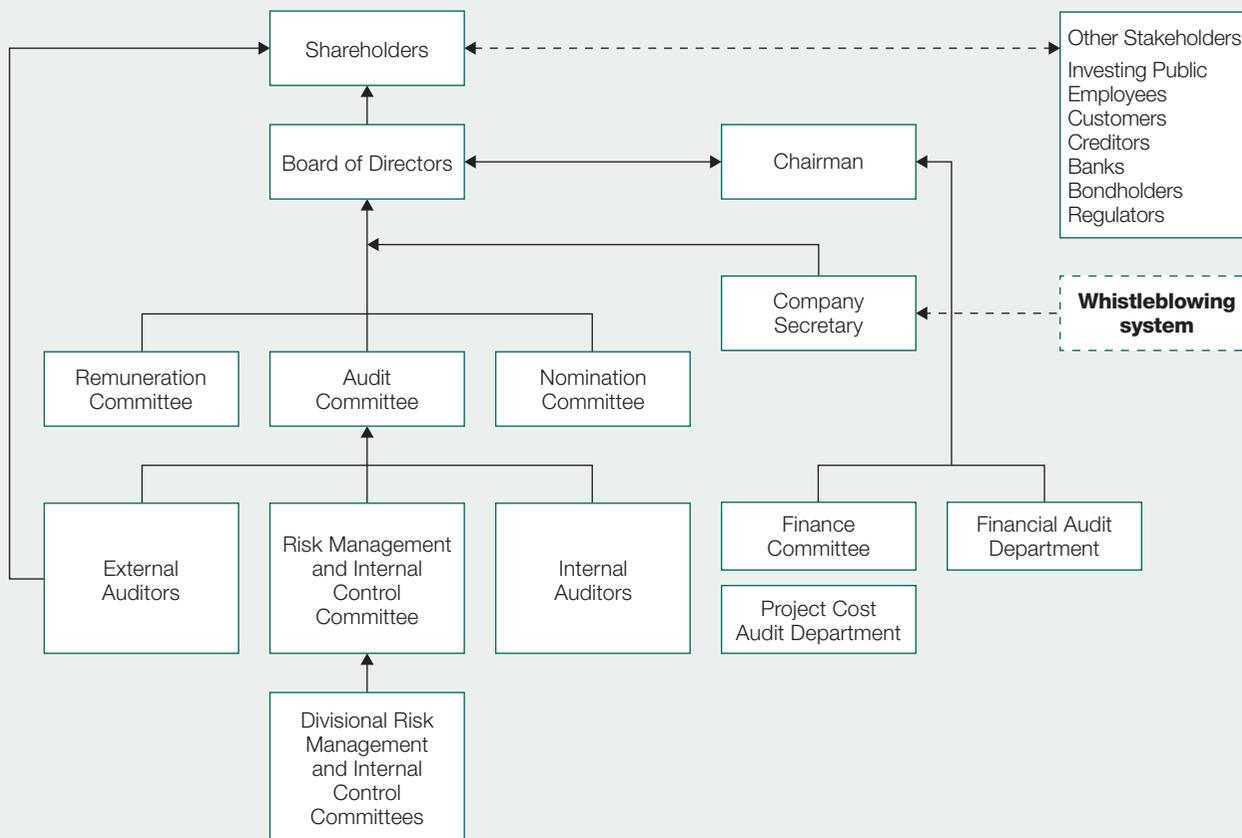


# CORPORATE GOVERNANCE REPORT

## (A) CORPORATE GOVERNANCE STRUCTURE

The Group’s current corporate governance, risk management and internal control framework can be diagrammatically shown as below:



## (B) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2019, all the code provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the “First Deviation”) providing for the roles of chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the “Second Deviation”) providing for the company secretary to report to the board chairman or the chief executive.

The reason for the First Deviation from the relevant Code Provision is stated under section (E) below. Regarding the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement in no way adversely affects the efficient discharge by the Company Secretary of his job duties.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## (C) CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

A set of the Company's own code of conduct (the "Company's Code") was adopted by the Company in 2014 to govern Directors' securities transactions with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company, and all the Directors have complied with the required standard set out in the Company's Code during the financial year.

## (D) BOARD OF DIRECTORS

### (I) Composition of the Board, Number of Board/General Meetings and Directors' Attendance

The Company's Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, and a balanced composition of executive and non-executive directors. Four Board meetings and one general meeting were held during the financial year ended 31 December 2019. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meeting(s)	
	Board Meetings	General Meeting
Douglas C K Woo ( <i>Chairman &amp; Managing Director</i> )	4/4	1/1
Stephen T H Ng ( <i>Deputy Chairman</i> )	4/4	1/1
Stewart C K Leung ( <i>Vice Chairman</i> )	4/4	1/1
Paul Y C Tsui ( <i>Executive Director &amp; Group Chief Financial Officer</i> )	4/4	1/1
Ricky K Y Wong ( <i>Executive Director</i> )	4/4	1/1
Horace W C Lee (appointed on 1 January 2020)	N/A	N/A
<b>Non-executive Director</b>		
Mignonne Cheng (Mrs)	3/4	1/1
<b>Independent Non-executive Directors</b>		
Tak Hay Chau	4/4	1/1
Winston K W Leong	4/4	1/1
Alan H Smith	4/4	1/1
Richard Y S Tang	3/4	1/1
Kenneth W S Ting	4/4	1/1
Nancy S L Tse	4/4	1/1
Glenn S Yee	3/4	0/1

Each Director of the Company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

During the year ended 31 December 2019, the Chairman of the Company held a meeting with Independent Non-executive Directors ("INED(s)") without the presence of other Directors.

## (II) Board Diversity Policy

The Board has adopted a Board Diversity Policy. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element in achieving a diversity of perspectives and supporting the attainment of its strategic goals. Appointments of Directors are made on merits having due regard for the benefits of diversity on the Board.

At present, half of the Directors on the Board are INEDs. They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds, spanning engineering, finance and banking, investment banking, legal, manufacturing and entrepreneurship. They also hold or have held important public service positions in Hong Kong and Mainland China, covering business, industry and commerce, health and welfare, education, regulations and politics.

The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time, taking into consideration specific needs for the Group's business.

## (III) Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (IV) Directors' Continuous Professional Development

The Company has arranged for Directors to attend training sessions which place emphasis on the roles, functions and duties of a listed company director. In addition to the training arranged by the Company, some of the Directors also received training organised by other companies and provided records thereof to the Company.

According to the records of training maintained by the Company Secretary, during the financial year under review, Directors pursued continuous professional development and relevant details are set out below:

<b>Directors</b>	<b>Type of trainings</b> (See Remarks)
Douglas C K Woo	C
Stephen T H Ng	A, C
Stewart C K Leung	A, C
Paul Y C Tsui	A, C
Ricky K Y Wong	A, C
Mignonne Cheng (Mrs)	A, C
Tak Hay Chau	C
Winston K W Leong	C
Alan H Smith	A, C
Richard Y S Tang	A, C
Kenneth W S Ting	A, C
Nancy S L Tse	A, B, C
Glenn S Yee	A, C

*Remarks:*

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading journals, updates, articles and/or materials, etc.

### (E) CHAIRMAN AND CHIEF EXECUTIVE

Mr Douglas C K Woo serves as the Chairman and also as the *de facto* chief executive of the Company. This is a deviation from Code Provision A.2.1 with respect to the roles of chairman and chief executive to be performed by different individuals. The relevant arrangement is deemed appropriate as it is considered to be more efficient for one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with half of them being INEDs.

Furthermore, the Chairman is supported by Deputy Chairman Mr Stephen T H Ng, Vice Chairman Mr Stewart C K Leung, Executive Director & Group Chief Financial Officer Mr Paul Y C Tsui, Executive Director Mr Ricky K Y Wong and Director Mr Horace W C Lee. The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and also in his capacity as *de facto* chief executive, he directly has responsibilities in certain major business units of the Group.

## (F) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company (including INEDs) have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors. The re-election of each of those INEDs who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (ii) further information to be given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

## (G) BOARD COMMITTEES

### (I) Audit Committee

The Company has set up an Audit Committee ("AC") with all its members appointed from the Company's INEDs.

All AC members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Alan H Smith and Ms Nancy S L Tse have the appropriate professional qualifications and/or experience in financial matters.

Four AC meetings were held during the financial year ended 31 December 2019. Attendance of the AC members is set out below:

<b>Members</b>	<b>Attendance/Number of Meeting</b>
Alan H Smith ( <i>Chairman of AC</i> )	4/4
Kenneth W S Ting	4/4
Nancy S L Tse	4/4
Glenn S Yee	4/4

- (i) The terms of reference of the AC are aligned with the provisions set out in the CG Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the AC:

#### (A) Relationship with the Company's External Auditors

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (B) Review of Financial Information of the Company

- (a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the AC should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (b) regarding (B)(a) above:
  - (i) members of the AC should liaise with the Company's Board and Senior Management and the AC must meet, at least twice a year, with the Company's external auditors; and
  - (ii) the AC should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts; it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, or for compliance function, or auditors (internal or external).

### (C) Oversight of the Company's financial reporting systems, and risk management and internal control systems

- (a) to review the Company's risk management and internal control systems covering all controls, including financial, operational and compliance controls, with the support of the Risk Management and Internal Control Committee;
- (b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- (c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings, and to review the statements concerning risk management and internal control to be included in the annual report;

- (d) to ensure co-ordination between the internal and external auditors, to review and approve the annual internal audit plan, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system and risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;
- (e) to review the Group's financial and accounting policies and practices;
- (f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (h) to report to the Board on the matters in the Code Provisions in the Listing Rules;
- (i) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (j) to act as the key representative body for overseeing the Company's relations with the external auditors; and
- (k) to consider other topics, as defined by the Board.

**(D) Oversight of the Company's Corporate Governance Matters**

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
  - (b) to review and monitor the training and continuous professional development of Directors and Senior Management;
  - (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
  - (e) to consider other topics, as defined by the Board.
- (ii) Whistleblowing Policy & Procedures have been adopted by the Group, with the authority and responsibility being delegated to the AC, further information of which is set out in the third paragraph of the subsection headed "(ii) Practices & Processes" on page 41.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

- (iii) The other work performed by the AC for the financial year ended 31 December 2019 is summarised below:
- (a) approval of the remuneration, appointment and terms of engagement of the external auditors;
  - (b) review of the external auditors' independence, objectivity and effectiveness of audit process in accordance with applicable standards;
  - (c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(B) above regarding the duties of the AC;
  - (d) discussion with the external auditors before the audit commences, the nature and scope of the audit;
  - (e) review of the audit programme of the internal audit function;
  - (f) review of the Group's financial controls, risk management and internal control systems;
  - (g) meeting with the external auditors without executive Board members present;
  - (h) review of the drafts of the representation letters to be provided by the Company to the external auditors, namely, KPMG, in connection with, inter alia, audit of the consolidated financial statements of the Company and its subsidiaries, and making suggestions for prior vetting by in-house professional advisor and for identifying new items in the letters as compared to the previous year; and
  - (i) review of continuing connected transactions entered into during the financial year under review, and making suggestions for improving the system regarding the monitoring and identification of relevant transactions with connected persons.

### (II) Remuneration Committee

The Company has set up a Remuneration Committee ("RC") consisting of the Chairman and two INEDs of the Company.

During the financial year ended 31 December 2019, two RC meetings were held and the attendance of the RC members is set as below:

<b>Members</b>	<b>Attendance/Number of Meeting</b>
Kenneth W S Ting ( <i>Chairman of RC</i> )	2/2
Alan H Smith	2/2
Douglas C K Woo	2/2

- (i) The terms of reference of the RC are aligned with the provisions set out in the CG Code. Given below are the main duties of the RC:
  - (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
  - (b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;
  - (c) either:
    - (i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and Senior Management; or
    - (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and Senior Management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
  - (d) to make recommendations to the Board on the remuneration of Non-executive Directors;
  - (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
  - (f) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
  - (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
  - (h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
  - (i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.
- (ii) The work performed by the RC, which has the delegated authority and responsibility, for the financial year ended 31 December 2019 is summarised below:
  - (a) review of the Company's policy and structure for all remuneration of Directors and Senior Management;
  - (b) consideration and approval of the emoluments for all Directors and Senior Management; and
  - (c) review of the level of fees for Directors, AC members and RC members.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (III) Nomination Committee

The Company has set up a Nomination Committee (“NC”) comprising three members, namely, Chairman of the Company (as chairman of NC) and two INEDs of the Company, namely, Mr Alan H Smith and Mr Kenneth W S Ting.

During the financial year ended 31 December 2019, one NC meeting was held and the attendance of the NC members is set out below:

Members	Attendance/Number of Meeting
Douglas C K Woo ( <i>Chairman of NC</i> )	1/1
Alan H Smith	1/1
Kenneth W S Ting	1/1

Apart from the abovementioned NC meeting, some matters relating to, *inter alia*, nomination of Directors for re-election requiring NC’s approval and/or recommendation were arranged by means of circulation of written resolutions.

- (i) The terms of reference of the NC are aligned with the provisions set out in the CG Code. Given below are the main duties of the NC:
  - (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
  - (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
  - (c) to assess the independence of INEDs; and
  - (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive.
- (ii) The work performed by the NC, which has the delegated authority and responsibility, for the financial year ended 31 December 2019 is summarised below:
  - (a) approval and recommendation to the Board for adopting the Nomination Policy of the Company;
  - (b) consideration and review of the structure, size and composition of the Board of Directors;
  - (c) recommendation to re-elect five retiring Directors at the last Annual General Meeting held in May 2019; and
  - (d) nomination of a candidate as an additional Director of the Company for the Board’s approval.

- (iii) The Board has adopted a Nomination Policy which sets out the selection criteria of Board members, procedures of nomination of new Board members and re-election and/or election of Directors to ensure an optimal composition of the Board with sustainability.
- (1) The criteria listed below will be used as reference in assessing the suitability of a proposed candidate:
- character and integrity;
  - skills, knowledge and experience relevant to the Company's business and corporate strategy;
  - willingness and availability to dedicate sufficient time and attention to ensure the diligent performance of duties in concurrence with his/her other major appointments and significant commitments;
  - attributes enhancing the Board diversity in line with the Company's Board Diversity Policy;
  - such other perspectives appropriate to the Company's business; and
  - requirements in respect of independent non-executive directors under the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines as set out in the Listing Rules.
- (2) Procedures for Appointment of New Director by the Board:
- (a) For appointment of new Director, the NC as delegated by the Board shall identify and evaluate candidate based on the criteria set out in paragraph (1) above to determine whether the candidate is qualified for directorship.
- (b) If the candidate is considered qualified, the NC shall recommend to the Board for consideration and the Board, if considered appropriate, shall approve the appointment of the proposed candidate as a new Director.
- (3) Procedures for Re-election and/or Election of Director at General Meeting:
- (a) The NC as delegated by the Board shall review the contribution made by the retiring Director and whether he/she can continue to fulfill his/her role as required with reference to the criteria set out in paragraph (1) above.
- (b) The Board shall then, under advice of the NC, make recommendation to Shareholders for the proposed re-election of Director(s) at the general meeting.
- (c) For any candidate (other than a retiring Director) nominated by the Board or Shareholder(s) to stand for election as a Director in a general meeting of the Company, the NC shall, upon receipt of the proposal of nomination and the biographical information of the candidate, evaluate his/her suitability based on the same criteria as set out in paragraph (1) above. The Board, under advice of the NC, may or may not make recommendation to Shareholders on their voting to the proposed election in the relevant announcement and/or circular to Shareholders.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## (IV) Corporate Governance Functions

While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC including various duties relating to corporate governance matters are set out in paragraph “(D) Oversight of the Company’s Corporate Governance Matters” on page 35.

## (H) AUDITORS’ REMUNERATION

The fees in relation to the audit and other services for the financial year ended 31 December 2019 provided by KPMG, the external auditors of the Company, amounted to HK\$33 million and HK\$4 million respectively.

## (I) RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

### (i) Risk Governance Structure

The Board has overall responsibilities for the Group’s risk management and internal control systems to safeguard the interests of the Company and its Shareholders as a whole. To this end, the Board oversees and approves the Group’s risk management and internal control strategies and policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Group’s strategic objectives and risk appetite, with main purpose for provision of reasonable assurance against material misstatement or loss rather than absolute elimination of the risk of failure to achieve business objectives.

Reporting to the Board, the AC is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems with assistance of the Risk Management and Internal Control Committee. In November 2015, the terms of reference of the AC were updated to formally incorporate risk management into its scope of duties.

In adherence to its long standing principle for prudent management, the Group has put in place a robust and inclusive framework to manage risks at different business operations in diversified segments within the organisation.

#### Risk Management and Internal Control Committee (“RMICC”)

The RMICC of the Company was formally established in 2015 to replace the former Internal Control Committee as an initiative to further enhance the Group’s risk management and internal control systems. It was principally an evolvement from the pre-existing internal control framework, which has been in operation since 2004, comprising the divisional internal control committees of the business units and various control functional departments at corporate level, including, *inter alia*, Finance Committee, Project Cost Audit Department and Financial Audit Department.

Under the enhanced framework, RMICC plays a central role in the ongoing management of risk management and internal control systems of the Group with the following features:

Objective	Assist the AC in discharge of its oversight responsibility over risk management and internal control systems of the Group.
Composition	Chaired by Mr Paul Y C Tsui. Three other members comprising Mr Stewart C K Leung, Mr Ricky K Y Wong and Mr Horace W C Lee.
Structure	Accountable to the AC on all matters relating to risk management and internal control.  Supervision on Divisional Risk Management and Internal Control Committees (“DRMICCs”) which in turn are responsible for the identification and reporting of functional risks, and the ongoing supervision and monitoring of the risk management and internal control systems.
Scope & Duties	Assist the AC to conduct periodical reviews of the effectiveness of the risk management and internal control systems of the Group based on the certification procedure as further explained below.  Report to the AC on identified risks, relevant evaluations and risk management strategy.  Direct and monitor the proper functioning of DRMICCs and report to the AC on any major internal control issues from time to time.  Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures.

DRMICCs are set up at the level of business units with composition of the respective key management staff together with those charged with the internal control functions. Acting as divisional advisory bodies, DRMICCs are entrusted with implementation of the Group’s control policies and on-going assessment of control activities in the relevant business units.

## (ii) Practices & Processes

As a conglomerate with diversified range of business activities, the Group is operating in dynamic environments with varying risk exposures according to different business segments. Risk management and internal controls within the Group are not just serial process but dynamic and integrated operations embedded in the day-to-day routines, with the primary ownership vested on the respective business units under stewardship residing with the Board.

Areas of responsibility of each operational unit are clearly defined with specific limits of authority in place to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Risk management system, internal control measures and procedures are continuously under review and being improved where necessary in response to changes in business, operating and regulatory environments.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

Furthermore, Whistleblowing Policy & Procedures (“WPP”) have been adopted by the Group, with the authority and responsibility being delegated to the AC. Such WPP are for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Company Secretary, and any and all relevant complaints received may then be referred to the Deputy Chairman and Group Chief Financial Officer or the AC about possible improprieties in any matter related to the Group.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the AC. The external auditors have access to a full set of internal audit reports.

### (iii) Periodical Reviews

Under the leadership of RMICC, system reviews in a comprehensive approach on the basis of COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework are conducted throughout the Group at least annually. Each business unit, through the co-ordination of DRMICCs, makes a self-assessment by a process as illustrated in the following flow diagram:



DRMICCs report on their reviews and findings, with the conclusions as to the effectiveness of the risk management and control activities of each individual business unit, while RMICC will draw an overall review and conclusion for reporting to the AC and the Board. Such reviewing exercise is carried out on a regular basis and affords good opportunities for the Group to identify and prioritise risks, and to develop and manage appropriate measures to control risks within acceptable levels and with a greater focus on anti-fraud measures.

### (iv) Annual Confirmation

During the financial year ended 31 December 2019, the AC, with the assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group’s risk management and internal control systems and procedures covering all material controls, including financial, operational and compliance control and risk management, and the adequacy of, *inter alia*, resources, staff qualifications and experience, training programmes and budget of the Group’s accounting, internal audit and financial reporting functions. Confirmations from management in the form of certification that risk management and internal control systems are functioning effectively to meet the respective financial reporting, operational and compliance needs are submitted by business and corporate unit heads to RMICC for consolidation and reporting to the AC.

Based on the result of the review as reported by the AC, in respect of the financial year ended 31 December 2019, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate.

A discussion on the principal risks and uncertainties encountered by the Group is set out on pages 61 to 62 in the Report of the Directors.

## (J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2019, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO") and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2019:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgements and estimates are made; and
- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

## (K) COMMUNICATION WITH SHAREHOLDERS

A Shareholders Communication Policy has been adopted by the Company to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website ([www.wheelockcompany.com](http://www.wheelockcompany.com)). Constantly being updated in a timely manner, the website contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals.

The Board and external auditors attend Annual General Meetings to answer Shareholders' questions.

## (L) SHAREHOLDERS' RIGHTS

### (I) Convene a General Meeting

Pursuant to Section 566 of the CO, on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors of the Company must convene a general meeting (other than an annual general meeting).

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (II) Send Enquiries to the Board

The Company's corporate website ([www.wheelockcompany.com](http://www.wheelockcompany.com)) provides an email address (for enquiry purpose only), postal address, fax number and telephone number for Shareholders to address their enquiries to the Company's Board at any time.

### (III) Make Proposals at General Meetings

- (i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's corporate website.
- (ii) The procedures for proposing resolution(s) to be moved at the Company's annual general meeting(s) are as follows:

Pursuant to Section 615 of the CO, Shareholder(s) can submit a written requisition to move a resolution at the Company's annual general meeting(s) if they represent:

- at least 2.5% of the total voting rights of all Shareholders who have a right to vote at the annual general meeting to which the requests relate; or
- at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The relevant written requisition must-

- (a) identify the resolution of which notice is to be given;
- (b) be authenticated by the person or persons making it; and
- (c) be received by the Company not later than six weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Any written requisitions from Shareholders pursuant to Sections 566 and 615 of the CO as set out in sections L(I) and L(III) above must be sent to the Company and deposited at the Company's registered office at 23rd Floor, Wheelock House, 20 Pedder Street, Hong Kong.

### (M) DIVIDEND POLICY

The Company adopts a dividend policy of providing Shareholders with regular dividends which will take into account the Company's financial performance, capital requirements, future investment plans, cash flow and general business and economic environment. The policy will be reviewed from time to time so as to keep in line with changes in market conditions.

### (N) AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the financial year ended 31 December 2019.