

# Report of the Directors

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2019.

## Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on page 160.

## Business Review

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2019, as well as an indication of likely future development in the business of the Group, are provided in the following sections:

- "Financial Highlights" on page 3.
- "Chairman's Statement", "Operations Review", "Management Discussion and Analysis" and "Group Capital Resources and Liquidity" on pages 10 to 24.
- "Risk Factors" on pages 25 to 29.
- "Financial Risk Management" in note 3 to the consolidated financial statements on pages 119 to 126.
- Discussions on the Group's environmental policies and performance, an account of the Group's key relationships with its stakeholders and the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are provided in the "Environmental, Social and Governance Report" on pages 30 to 42.
- "Corporate Governance Report" on pages 64 to 85.

All such discussions form part of this report.

## Group Profit

The consolidated income statement is set out on page 91 and shows the profit of the Group for the year ended 31 December 2019.

## Dividend

An interim dividend of 2.93 HK cents per share was paid to shareholders on 6 September 2019.

The Directors also recommended the declaration of a final dividend of 3.75 HK cents per share, to be payable on Wednesday, 27 May 2020 to those persons registered as shareholders of the Company at close of business on Monday, 18 May 2020, being the record date for determining shareholders' entitlement to the proposed final dividend.

### Reserves

The reserves of the Group and of the Company during the year are set out in notes 30 and 38(a) to the consolidated financial statements respectively.

### Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$3.7 million (2018: HK\$1.3 million).

### Directors

As at the date of this report, the Board comprises nine Directors:

#### Chairman and Non-executive Director

Mr FOK Kin Ning, Canning

#### Co-Deputy Chairmen and Non-executive Directors

Mr LUI Dennis Pok Man

Mr WOO Chiu Man, Cliff

#### Executive Director

Mr KOO Sing Fai (Chief Executive Officer)

#### Non-executive Directors

Mr LAI Kai Ming, Dominic (also Alternate to Mr FOK Kin Ning, Canning and Ms Edith SHIH)

Ms Edith SHIH

Mr MA Lai Chee, Gerald (Alternate to Mr LAI Kai Ming, Dominic)

#### Independent Non-executive Directors

Mr IP Yuk Keung

Dr LAN Hong Tsung, David

Dr WONG Yick Ming, Rosanna

During the year ended 31 December 2019 and the period up to the date of this report, the following changes to the Board composition took place on 31 December 2019:

- Mr Cheong Ying Chew, Henry resigned as Independent Non-executive Director, and concurrently ceased acting as Alternate Director to Dr Wong Yick Ming, Rosanna, Independent Non-executive Director; and
- Mr Ip Yuk Keung was appointed as Independent Non-executive Director.

Mr Cheong Ying Chew, Henry has confirmed that he has no disagreement with the Board and he is not aware of any matters relating to his resignation that need to be brought to the attention of the shareholders of the Company.

In accordance with Article 83(3) of the Articles of Association, Mr Ip Yuk Keung, who has been appointed to fill the causal vacancy arising from the resignation of Mr Cheong Ying Chew, Henry, will retire at the next following general meeting (i.e. the forthcoming annual general meeting) and, being eligible, will offer himself for re-election.

In accordance with Article 84 of the Articles of Association, Mr Woo Chiu Man, Cliff, Mr Lai Kai Ming, Dominic and Dr Lan Hong Tsung, David will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Details regarding the re-election are set out in the circular to shareholders together with this annual report.

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out in the "Information on Directors" section of this annual report.

## Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

## Permitted Indemnity Provisions

The Articles of Association provide that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors liability insurance is in place for the Directors of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the Directors. The relevant provisions in the Articles of Association and the Directors' liability insurance were in force during the financial year ended 31 December 2019 and as of the date of this report.

## Directors' Material Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or a subsidiary, fellow subsidiary or parent company of the Company was a party and in which a person who at any time in 2019 was a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of 2019 or at any time during 2019.

## Management Contracts

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during 2019.

## Continuing Connected Transactions

On 14 December 2017, the Company and CKHH entered into (i) a master HTHKH telecommunications supplies agreement, whereby the Company agreed to provide, or to procure its subsidiaries to provide, the Group Telecommunications Supplies (as defined hereunder) to the CKHH Group; (ii) a master CKHH telecommunications supplies agreement, whereby CKHH agreed to provide, or to procure other members of the CKHH Group to provide, the CKHH Telecommunications Supplies (as defined hereunder) to members of the Group; and (iii) a master purchase agreement, whereby CKHH agreed to provide, or to procure other members of the CKHH Group to provide, the Business Related Supplies (as defined hereunder) to members of the Group (collectively, the "Master Agreements"), as and when reasonably requested by relevant members of the Group or of the CKHH Group (as the case may be) for the period from 1 January 2018 to 31 December 2020:

- (a) "CKHH Group" means CKHH and its subsidiaries from time to time (excluding members of the Group) and such other entities in which CKHH is from time to time directly or indirectly interested so as to (i) exercise or control the exercise of 30% or more of the voting power at general meetings of such entities; or (ii) control the composition of a majority of the board of directors of such entities, and the subsidiaries of such other entities;
- (b) "Group Telecommunications Supplies" include telecommunications products and services of the Group, including mobile telecommunications products (including mobile handsets and accessories); mobile telecommunications services (including international direct dialing and roaming services, mobile Wi-Fi and other value-added services); marketing, advertising and promotional services; and such other telecommunications products and services of the Group as may be agreed between the Company and CKHH from time to time;
- (c) "CKHH Telecommunications Supplies" include telecommunications goods and services of the CKHH Group, including roaming services; and such other telecommunications goods and services of the CKHH Group as may be agreed between the Company and CKHH from time to time, which exclude the Business Related Supplies; and
- (d) "Business Related Supplies" include goods and services for use in connection with the businesses of the Group, including billing collection services; dealership services at retail outlets in Hong Kong for sale of handsets and/or telecommunications services; IT related services, including IT platforms development services, software solutions and applications development services and other professional services; cash coupons and marketing, advertising and promotional services; equipment installation and maintenance services; lease and licensing services; and such other goods and services for use in connection with the businesses of the Group as may be agreed between the Company and CKHH from time to time, which exclude the CKHH Telecommunications Supplies.

Each of CKHH and the other members of the CKHH Group is a connected person of the Company by virtue of being either a substantial shareholder of the Company or an associate of CKHH. Accordingly, the transactions contemplated under the Master Agreements constituted continuing connected transactions (the "Continuing Connected Transactions") for the Company under Chapter 14A of the Listing Rules, in respect of which an announcement (the "Announcement") dated 14 December 2017 was issued by the Company.

As set out in the Announcement, the caps for the two years ended 31 December 2018 and 2019, and for the year ending 31 December 2020 in respect of (i) the provision of the Group Telecommunications Supplies to the CKHH Group are HK\$93 million, HK\$116 million and HK\$140 million respectively; (ii) the Group's acquisition of the CKHH Telecommunications Supplies are HK\$17 million, HK\$19 million and HK\$21 million respectively; and (iii) the Group's acquisition of the Business Related Supplies are HK\$33 million, HK\$43 million and HK\$57 million respectively.

The annual caps of the Continuing Connected Transactions in respect of the year ended 31 December 2019 as stated in the Announcement and the corresponding aggregate transaction amounts for the year are set out below:

	2019 annual cap (HK\$ million)	Aggregate transaction amount (HK\$ million)
Provision of the Group Telecommunications Supplies to the CKHH Group	116	22
Purchase of the CKHH Telecommunications Supplies by the Group	19	6
Purchase of the Business Related Supplies by the Group	43	14

The internal audit of the Group has reviewed the Continuing Connected Transactions under the Master Agreements for the year ended 31 December 2019 and key internal control procedures in respect of the negotiation, review, approval, agreement management, reporting, consolidation and monitoring processes of these transactions, and is of the view that the controls over the Continuing Connected Transactions for 2019 entered into by the Group were robust overall, and such transactions were conducted in accordance with the Master Agreements under fair and reasonable commercial terms. All the Independent Non-executive Directors of the Company, after reviewing the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2019 and the findings provided by the internal audit of the Group, confirmed that such transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

The Company has engaged its external auditor to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audit or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the external auditor of the Company has confirmed in its letter to the Board that nothing has come to its attention that causes it to believe that the Continuing Connected Transactions entered into by the Group under the Master Agreements during the year ended 31 December 2019 (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions which involved the provision of goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the respective agreements governing such transactions; and (iv) have exceeded the relevant annual caps in respect of the year ended 31 December 2019 as disclosed in the Announcement.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2019 is contained in note 37 to the consolidated financial statements. All transactions entered into with the CKHH Group and the NTT Group (as defined and described in note 37 to the consolidated financial statements) fell under the definition of "continuing connected transactions" under the Listing Rules and are fully exempt from all disclosure requirements, annual review and shareholders' approval under Chapter 14A of the Listing Rules, other than the transactions with the CKHH Group contemplated under the Master Agreements, which are subject to the reporting, announcement and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2019.

## Interests and Short Positions of Shareholders Discloseable under the SFO

So far as the Directors and Chief Executive of the Company are aware, as at 31 December 2019, other than the interests and short positions of the Directors and Chief Executive of the Company as disclosed in the section titled "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" under "Information on Directors", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

### (I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

#### *Long positions in the shares of the Company*

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	Interest of a controlled corporation	23,689,889 <sup>(1)</sup> )		
	Beneficial owner	3,161,292,951 <sup>(2)</sup> )	3,184,982,840	66.09%
Gensis Lake Limited ("GLL")	Interest of controlled corporations	3,184,982,840 <sup>(1)(2)</sup>	3,184,982,840	66.09%
Dynamic Zamia Limited ("DZL")	Interest of controlled corporations	3,184,982,840 <sup>(1)(2)</sup>	3,184,982,840	66.09%
CK Hutchison Group Telecom Holdings Limited ("CKHGT")	Interest of controlled corporations	3,184,982,840 <sup>(1)(2)</sup>	3,184,982,840	66.09%
Barusley Limited ("BL")	Interest of controlled corporations	3,184,982,840 <sup>(1)(2)</sup>	3,184,982,840	66.09%
Askern Peak Limited ("APL")	Interest of controlled corporations	3,184,982,840 <sup>(1)(2)</sup>	3,184,982,840	66.09%
CK Hutchison Global Investments Limited ("CKHGI")	Interest of controlled corporations	3,184,982,840 <sup>(1)(2)</sup>	3,184,982,840	66.09%
CKHH	Interest of controlled corporations	3,184,982,840 <sup>(1)(2)</sup>	3,184,982,840	66.09%

## (II) Interests and short positions of other persons in the shares and underlying shares of the Company

*Long positions in the shares of the Company*

Names	Capacity	Number of shares held	Total	Approximate % of shareholding
Li Ka-shing	Founder of discretionary trusts	153,280 <sup>(3)</sup>	404,132,779	8.38%
		)		
		)		
	Interest of controlled corporations	403,979,499 <sup>(4)(5)(6)</sup>		
Li Tzar Kuoi, Victor	Discretionary beneficiary of discretionary trusts	153,280 <sup>(3)</sup>	353,638,029	7.33%
		)		
		)		
		)		
	Interest of controlled corporations	353,292,749 <sup>(4)(5)(7)</sup>		
Li Ka Shing Foundation Limited ("LKSF")	Beneficial owner	350,527,953 <sup>(5)</sup>	350,527,953	7.27%
		)		
	Interest of child	192,000 <sup>(8)</sup>		

## Notes:

- (1) Cheung Kong Enterprises Limited ("Cheung Kong Enterprises", a direct wholly owned subsidiary of HTIHL) holds 23,689,889 shares of the Company. By virtue of the SFO, HTIHL was deemed to be interested in the 23,689,889 shares of the Company held by Cheung Kong Enterprises.
- (2) HTIHL is a direct wholly owned subsidiary of GLL. GLL in turn is a direct wholly owned subsidiary of DZL. DZL in turn is a direct wholly owned subsidiary of CKHGT. CKHGT in turn is a direct wholly owned subsidiary of BL. BL in turn is a direct wholly owned subsidiary of APL. APL in turn is a direct wholly owned subsidiary of CKHG. CKHG in turn is a direct wholly owned subsidiary of CKHH. By virtue of the SFO, each of CKHH, CKHG, APL, BL, CKHGT, DZL and GLL was deemed to be interested in the 3,161,292,951 shares of the Company held by HTIHL and the 23,689,889 shares of the Company held by Cheung Kong Enterprises.
- (3) Mr Li Ka-shing is the settlor of each of two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in The Li Ka-Shing Castle Trust ("UT3") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, *inter alia*, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of UT3 holds 153,280 shares of the Company.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-thirds of the entire issued share capital of Castle Holdco. TUT3 is interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor as a holder of the shares of Castle Holdco as aforesaid. Each of the trustee of DT3 and DT4 holds units in UT3 but is not entitled to any interest or share in any shares of the Company comprising the trust assets of UT3.

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO, and by virtue of the above, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the 153,280 shares of the Company held by TUT3 as trustee of UT3 under the SFO as substantial shareholders of the Company.

## Report of the Directors

- (4) *Among those shares, 245,546 shares are held by Li Ka Shing (Global) Foundation ("LKSGF", formerly known as Li Ka Shing (Overseas) Foundation). By virtue of the terms of the constituent documents of LKSGF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSGF.*
- (5) *Among those shares, 350,527,953 shares are held by LKSF. By virtue of the terms of the constituent documents of LKSF, each of Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSF.*
- (6) *Among those shares, 53,206,000 shares are held by certain companies of which Mr Li Ka-shing is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.*
- (7) *Among those shares, 2,519,250 shares are held by certain companies of which Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings.*
- (8) *Such shares are held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.*

Save as disclosed above, as at 31 December 2019, there was no other person (other than the Directors and Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), conditionally approved and adopted by a resolution of the then sole shareholder of the Company passed on 6 April 2009, was approved at the extraordinary general meeting of HWL on 21 May 2009 for the grant of options to acquire ordinary shares of HK\$0.25 each in the share capital of the Company. The Share Option Scheme was valid and effective during the period from 21 May 2009 to 20 May 2019, being the date falling 10 years from the date on which the Share Option Scheme became unconditional. After 20 May 2019, no further share options could be granted under the Share Option Scheme. A summary of the Share Option Scheme is as follows:

- (1) The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group and/or to establish a stronger business relationship between the Group and such participants.
- (2) The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for shares of the Company:
  - (a) any employee or consultant (as to functional areas of finance, business or personnel administration or IT) (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest (the "Invested Entity");
  - (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
  - (c) any supplier of goods or services to any member of the Group or any Invested Entity;
  - (d) any customer of any member of the Group or any Invested Entity;



- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and
- (h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares of the Company or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of share options under the Share Option Scheme.

The eligibility of any of the above classes of participants to an offer for the grant of any share options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group.

- (3) A nominal consideration of HK\$1.00 is payable on acceptance to an offer for the grant of a share option.
- (4) Unless otherwise determined by the Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of a share option before it can be exercised.
- (5) The subscription price for the shares of the Company under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for trade in one or more board lots of the shares of the Company on the date of the offer of grant of the share options which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for trade in one or more board lots of the shares of the Company for the five business days immediately preceding the date of the offer of grant of the share options which must be a business day; and (iii) the nominal value of share of the Company.
- (6) The maximum number of shares of the Company which may be allotted and issued pursuant to the Share Option Scheme is as follows:
  - (a) The maximum number of shares of the Company which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time;
  - (b) The total number of shares of the Company which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue, being 4,814,346,208 ordinary shares (the "General Scheme Limit"), as at 8 May 2009 (the "Listing Date"), the date on which the shares of the Company were first listed on the Stock Exchange. Based on the number of shares in issue of the Company on the Listing Date, the General Scheme Limit of the Share Option Scheme is 481,434,620 shares;

- (c) Subject to paragraph (6)(a) above and without prejudice to paragraph (6)(d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted;
- (d) Subject to paragraph (6)(a) above and without prejudice to paragraph (6)(c) above, the Company may seek separate approval of its shareholders in general meeting to grant share options under the Share Option Scheme beyond the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) or, if applicable, the extended limit referred to in paragraph (6)(c) above to participants specifically identified by the Company before such approval is sought; and
- (e) The total number of shares of the Company issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of the Company unless approved by the shareholders in a general meeting of the Company (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements of the Listing Rules.

A share option may be accepted by a participant within 21 days from the date of the offer of grant of the share option.

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer of grant of the share option and notified by the Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date on which such share option is deemed to have been granted but shall end in any event not later than 10 years from the date on which the offer for grant of the share option is made, subject to the provisions for early termination thereof.

Particulars of share options outstanding under the Share Option Scheme at the beginning and at the end of the financial year ended 31 December 2019 and share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year were as follows:

Category of participants	Date of grant of share options <sup>(1)</sup>	Number of share options				Lapsed/ cancelled during 2019	Number of share options held as at 31 December 2019	Exercise period of share options	Exercise price of share options <sup>(2)</sup> HK\$	Price of share of the Company	
		held as at 1 January 2019	Granted during 2019	Exercised during 2019						prior to the grant date of share options <sup>(3)</sup> HK\$	prior to the exercise date of share options <sup>(4)</sup> HK\$
Employees in aggregate	1.6.2009	200,000	-	(200,000)	-	-	1.6.2009 to 31.5.2019 (both dates inclusive)	1.00	0.96	3.32	
Total		200,000	-	(200,000)	-	-					

Notes:

- (1) The share options were vested in three tranches, approximately one-third each on 1 June 2009, 23 November 2009 and 23 November 2010 respectively, so long as the grantee remained an Eligible Participant (as defined in the Share Option Scheme) on each vesting date.
- (2) The exercise price of the share options was subject to adjustment in accordance with the provisions of the Share Option Scheme.
- (3) The stated price was the closing price of the shares of the Company on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.
- (4) The stated price was the closing price of the shares of the Company on the Stock Exchange on the trading day immediately prior to the date of the exercise of the share options.

As at the date of this report, there are no share options outstanding under the Share Option Scheme.

No share option was granted under the Share Option Scheme during the year ended 31 December 2019.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries or its parent company or a subsidiary of its parent company a party to any arrangements which enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## Equity-linked Agreements

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or were subsisted at the end of the year or at any time during the year.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Share Capital

Details of the shares movement during the year are set out in note 29 to the consolidated financial statements on page 147.

## Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## Major Customers and Suppliers

During the year, the percentage of revenue attributable to the five largest customers of the Group combined was less than 30% of the total revenue of the Group.

During the year, the percentages of purchases attributable to the major suppliers of the Group were as follows:

	<b>Percentage of total purchases of the Group</b>
The largest supplier	48%
Five largest suppliers combined	72%

As at 31 December 2019, none of the Directors, their close associates or any shareholders (which to the knowledge of Directors own more than 5% of the issued share capital of the Company) had any interest in the major suppliers of the Group.

## Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

## Auditor

The financial statements for the year ended 31 December 2019 have been audited by PwC who will retire and, being eligible, offer themselves for re-appointment at the 2020 annual general meeting.

By Order of the Board

**Edith SHIH**

*Non-executive Director and Company Secretary*

Hong Kong, 28 February 2020