

# Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group, as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles and practices that emphasise a quality Board, effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2019 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, other than those in respect of the composition of the nomination committee as explained below in this report.

## The Board

### Corporate strategy

The principal objective of the Company is to enhance long-term total return for its shareholders. Please refer to the Chairman's Statement and Management Discussion and Analysis for discussions and analyses of the performance of the Group, the basis on which the Group generates and preserves value in the longer term and delivers the objective of the Group.

### Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing and guiding the strategic objectives of the Company and overseeing and monitoring managerial performance. Directors are charged with the task of promoting the long-term success of the Company and making decisions in the best interests of the Company with due regard to sustainability considerations.

The Board, led by the Chairman (Non-executive), Mr Fok Kin Ning, Canning, determines and monitors group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

### Board composition

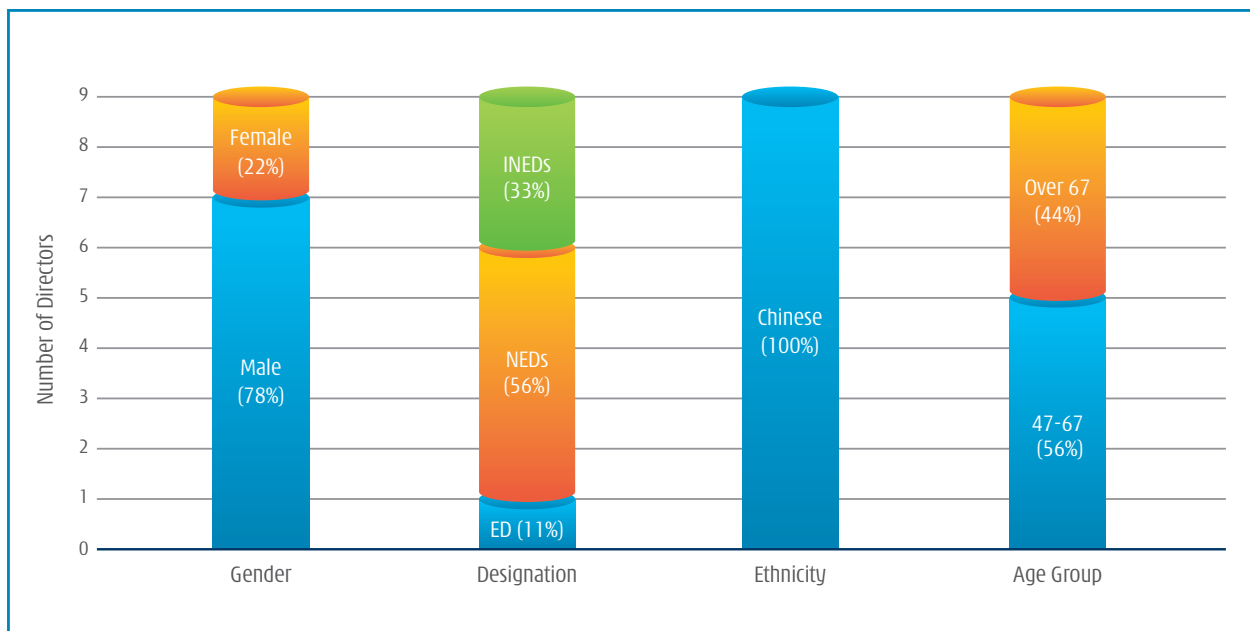
During the year ended 31 December 2019 and up to the date of this report, the following changes to the Board composition took place on 31 December 2019:

- (a) Mr Cheong Ying Chew, Henry resigned as Independent Non-executive Director, as well as Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee;
- (b) Mr Cheong concurrently ceased acting as Alternate Director to Dr Wong Yick Ming, Rosanna, Independent Non-executive Director; and
- (c) Mr Ip Yuk Keung was appointed as Independent Non-executive Director, as well as Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee.

As at 31 December 2019 and up to the date of this report, the Board comprised nine Directors, including the Chairman (Non-executive), two Co-Deputy Chairmen (Non-executive), an Executive Director and Chief Executive Officer, two Non-executive Directors and three Independent Non-executive Directors. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules. Information about changes to the Board composition during 2019 are set out in the section “Report of the Directors” on pages 52 to 53.

The Nomination Committee comprising the full Board is responsible for reviewing the structure, size, diversity profile and skills set of the Board and the progress in achieving the diversity objectives of the Company. It is also responsible for the selection and appointment of Directors and succession planning of Directors and senior management. To this end, the Board is mindful of having an appropriately structured recruitment, selection and training programme at appropriate levels so as to identify and prepare suitable talents for Board positions. Further details of the Company’s Board Diversity Policy and Director Nomination Policy, along with the results of the review of the Board composition, nomination and independence of Independent Non-executive Directors are set out in the section “Nomination of Directors” below.

The following chart shows the diversity profile of the Board as at 31 December 2019:



Notes:

ED: Executive Director

NED: Non-Executive Director

INED: Independent Non-executive Director

Biographical details of the Directors are set out in the “Information on Directors” section on pages 43 to 46 and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)).

### Chairman, Co-Deputy Chairmen and Chief Executive Officer

The roles of the Chairman and the Co-Deputy Chairmen are separate from that of the Chief Executive Officer. Such division of responsibilities reinforces the independence and accountability of these Directors.

The Chairman, assisted by the Co-Deputy Chairmen, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group. He is also responsible for ensuring that Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues to be deliberated at Board meetings and are provided with adequate and accurate information in a timely manner.

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the affairs of the Board so as to contribute to the effective functioning of the Board. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to promote effective communication and ongoing engagement with shareholders and other stakeholders, as outlined later in this report.

The Chief Executive Officer is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of group policies and assuming full accountability to the Board for all group operations. Acting as the principal manager of the businesses of the Group, the Chief Executive Officer attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for overseeing and delivering operational performance of the Group.

Working with the Chief Financial Officer and the executive management team of the Company, the Chief Executive Officer presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer ensures that the funding requirements of the businesses are met and monitors the operating and financial performance of the businesses against plans and budgets. He maintains an ongoing dialogue with all Directors to keep them fully informed of all major business development and issues. In addition, he is also responsible for building and maintaining an effective executive management team to support him in his role.

### Board process

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance and business activities of the Group. Throughout the year, in addition to physical board meetings, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to the Directors as appropriate. Whenever warranted, additional physical Board meetings are held. Further, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary and they are at liberty to propose appropriate matters for inclusion in Board agendas.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and a draft agenda for review and comment about three weeks prior thereto. The full set of Board papers is supplied no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association and the Listing Rules, a Director would abstain from voting on resolutions approving any contract, transaction and arrangement in which he or she or any of his or her close associates is materially interested, and such Director is not counted for quorum determination purposes.

The Company held four Board meetings in 2019 with overall attendance of 100%. All Directors attended the annual general meeting of the Company held on 8 May 2019 and the Board meeting held on the same day. The attendance record is set out below:

Directors	Board meetings attended/ Eligible to attend	Attendance at 2019 AGM
<b>Chairman and Non-executive Director</b>		
Fok Kin Ning, Canning	4/4	√
<b>Co-Deputy Chairmen and Non-executive Directors</b>		
Lui Dennis Pok Man	4/4	√
Woo Chiu Man, Cliff	4/4	√
<b>Executive Director</b>		
Koo Sing Fai ( <i>Chief Executive Officer</i> )	4/4	√
<b>Non-executive Directors</b>		
Lai Kai Ming, Dominic	4/4	√
Edith Shih	4/4	√
<b>Independent Non-executive Directors</b>		
Cheong Ying Chew, Henry <sup>(1)</sup>	4/4	√
Ip Yuk Keung <sup>(2)</sup>	N/A	N/A
Lan Hong Tsung, David	4/4	√
Wong Yick Ming, Rosanna	4/4	√

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

In addition to Board meetings, in 2019 the Chairman held regular meetings with the Executive Director and also met with Independent Non-executive Directors twice without the presence of other Directors. The Independent Non-executive Directors are encouraged to provide their independent views to the Board.

Any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company, or in the case of an additional appointment, until the next following annual general meeting of the Company, and shall then be eligible for re-election. All Directors are subject to retirement from office by rotation and re-election by shareholders at annual general meetings at least about once every three years. A retiring Director is eligible for re-election, and re-election of retiring Directors at general meetings is presented in separate resolutions. In addition, all Non-executive Directors entered into service contracts for an initial term ending on 31 December of the year of their appointments. Thereafter, such contracts are automatically renewed for successive 12-month periods, subject to re-election in accordance with the Articles of Association.

Further, no Director has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## Training and commitment

Upon appointment to the Board, Directors receive a package of comprehensive orientation materials on the Group comprising information on the Group, duties as a director and board committee member, as well as internal governance policies of the Group. These orientation materials are presented to the Directors by senior executives in the form of a detailed induction to the businesses, strategic direction and governance practice of the Group.

The Company arranges and provides Continuous Professional Development (“CPD”) training such as seminars, webcasts and relevant reading materials to Directors to help them keep abreast of current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics also count toward CPD training.

The Directors are required to provide the Company with details of CPD training undertaken by them from time to time. The training records are maintained by the Company Secretary. Based on the details so provided, the CPD training undertaken by the Directors in 2019 is summarised as follows, representing an average of approximately 13 hours by Director during the year.

Directors	Areas		
	Legal and Regulatory	Corporate Governance/ Environmental, Social and Governance Practices	Businesses of the Group/ Directors' Duties
<b>Chairman and Non-executive Director</b>			
Fok Kin Ning, Canning	√	√	√
<b>Co-Deputy Chairmen and Non-executive Directors</b>			
Lui Dennis Pok Man	√	√	√
Woo Chiu Man, Cliff	√	√	√
<b>Executive Director</b>			
Koo Sing Fai ( <i>Chief Executive Officer</i> )	√	√	√
<b>Non-executive Directors</b>			
Lai Kai Ming, Dominic	√	√	√
Edith Shih	√	√	√
Ma Lai Chee, Gerald (Alternate to Lai Kai Ming, Dominic)	√	√	√
<b>Independent Non-executive Directors</b>			
Cheong Ying Chew, Henry <sup>(1)</sup>	√	√	√
Ip Yuk Keung <sup>(2)</sup>	√	√	√
Lan Hong Tsung, David	√	√	√
Wong Yick Ming, Rosanna	√	√	√

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group throughout their tenure during the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorships in other public companies and major appointments as well as update the Company on any subsequent changes.

### Securities transactions

The Board has adopted its own Model Code for Securities Transactions by Directors (the "HTHKH Securities Code") regulating Directors' dealings in securities (Group and otherwise), on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. In summary, a Director who wishes to deal in the securities of the Company must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing prior to any dealings and obtain a dated written acknowledgement to deal. The Directors has five business days after receiving clearance to deal and after dealings, submit a disclosure of interests filing with respect to the dealing, within the time frame required under Part XV of the SFO.

In response to specific enquiries made, all Directors confirmed that they have complied with the HTHKH Securities Code in their securities transactions throughout their tenure during the year.

### Board Committees

The Board is supported by three permanent board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, details of which are described later in this report. The terms of reference for these Committees, which have been adopted by the Board, are available on the websites of the Company and HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

### Company Secretary

The Company Secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and timely preparation of and dissemination to Directors comprehensive Board meeting papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient detail the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory, corporate governance and ESG developments of relevance to the Group and that it takes these developments into consideration when making decisions for the Group. From time to time, the Company Secretary organises seminars on specific topics of importance and interest and disseminates reference materials to Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-backs, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on connected transactions, notifiable transactions, price-sensitive/inside information and Directors' obligation for disclosure of interests and dealings in securities of the Company, to ensure that the standards and disclosures requirements under the Listing Rules and applicable laws, rules and regulations are complied with and, where required, reported in the interim and annual reports of the Company.

The Company Secretary also serves as a crucial conduit of communications internally and externally. She facilitates information flow and communication among Directors and also conveys the Board's decisions to Management from time to time and ensures a good channel of communication with shareholders. She also works with the Board and Management to assist in responding to regulators in a timely manner.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to her advice and service. The Company Secretary has day-to-day knowledge of the affairs of the Group. She confirms that she has complied with all the required qualifications, experience and training requirements under the Listing Rules.

## Accountability and Audit

### Financial reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year end.

The responsibility of Directors in relation to the financial statements is set out below. This should be read in conjunction with but distinguished from, the Independent Auditor's Report on pages 86 to 90 which acknowledges the reporting responsibility of the auditor of the Group.

### *Annual report and financial statements*

The Directors acknowledge their responsibility for the preparation of this annual report and financial statements of the Company. The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of Laws of Hong Kong). Directors should incorporate such internal control as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Accounting policies*

The Directors consider that in preparing the financial statements, the Group has adopted appropriate accounting policies and made judgments and estimates that are reasonable in accordance with the applicable accounting standards.

### *Accounting records*

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position and reflect the transactions of the Group, upon which financial statements of the Group could be prepared in accordance with the accounting policies of the Group.

### Safeguarding assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

### Going concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

### Audit Committee

The Audit Committee comprises three Independent Non-executive Directors who possess the relevant financial and business management experience and skills to understand financial statements and monitor the financial governance, internal control and risk management of the Company. Following the resignation of Mr Cheong on 31 December 2019, the Audit Committee is now chaired by Mr Ip with Dr Lan and Dr Wong as members.

The Audit Committee held four meetings in 2019 with 100% attendance.

Members	Attended/Eligible to attend
Cheong Ying Chew, Henry ( <i>Chairman</i> ) <sup>(1)</sup>	4/4
Ip Yuk Keung ( <i>Chairman</i> ) <sup>(2)</sup>	N/A
Lan Hong Tsung, David	4/4
Wong Yick Ming, Rosanna	4/4

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

Under its terms of reference, the role of the Audit Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to take on any other responsibility as may be delegated by the Board from time to time. The Audit Committee is responsible for monitoring the integrity of the Group's interim and annual results, and interim and annual financial statements, reviewing the Group's risk management and internal control systems as well as overseeing the relationship between the Company and its external auditors. The Audit Committee is also required to develop and review the Company's policies and practices on corporate governance including compliance with statutory and Listing Rules requirements; and review the scope, extent and effectiveness of the activities of internal audit. In addition, it is authorised to engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Throughout 2019, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code.



During 2019 and 2020 (up to the date of this report), the Audit Committee met with the Chief Financial Officer and other senior management of the Group to review the interim and final results, the interim and annual reports, and other financial, internal control, corporate governance and risk management matters of the Group. It received, considered and discussed the reports and presentations of Management, the Group's internal auditor and external auditor, PwC, to ensure that the 2018 and 2019 consolidated financial statements of the Group were prepared in accordance with IFRS and comply with the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It also met four times during 2019 and one time during 2020 (up to the date of this report) with the external auditor to consider the reports of the external auditor on the scope, strategy, progress and outcome of its independent review of the 2019 interim financial report and annual audit of the 2018 and 2019 consolidated financial statements. In addition, the Audit Committee held private sessions with the external auditor, the Chief Financial Officer and internal auditor separately without the presence of Management.

To assist the Board in maintaining effective risk management and internal control systems, the Audit Committee reviewed the process by which the Group evaluated its control environment and managed significant risks identified. It received and considered the Risk Management Report, the composite risk register, risk heat map as well as the Management presentations on their review with respect to the effectiveness of the risk management and internal control systems of the Group. It also reviewed the adequacy of resources, qualifications and experience of staff in the accounting, financial reporting and internal audit functions of the Group, as well as their training programmes and budgets.

In addition, the Audit Committee reviewed, in conjunction with the Group's internal auditor, the work plan and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal control systems in the business operations of the Group. Further, it considered the reports from the Company Secretary on the material litigation proceedings and compliance status of the Group on regulatory requirements. These reviews and reports were taken into consideration by the Audit Committee when it made its recommendation to the Board for approval of the consolidated financial statements. The Audit Committee also received presentations on the compliance status of the Group on corporate governance matters, and ensured that any deviation to the CG Code was properly explained and disclosed in this report.

### External auditor

The Audit Committee reviews and monitors the external auditor's independence, objectivity and effectiveness of the audit process. Each year, the Audit Committee receives a letter from the external auditor confirming its independence and objectivity. It holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The policy of the Group regarding the engagement of its external auditors for the various services listed below is as follows:

- Audit services - include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by the external auditor.
- Audit related services - include services that would normally be provided by an external auditor but not generally included in audit fees, such as audits of the pension plans of the Group, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that must be undertaken, or is otherwise best placed, to undertake in its capacity as auditor.

- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group engages the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services – include, amongst others, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial system consultations. The external auditor is also permitted to assist Management and the internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditors is shown in note 8 to the consolidated financial statements. For the year ended 31 December 2019, PwC fees, amounting to approximately HK\$7 million were primarily for audit services and those for non-audit services amounted to approximately HK\$0.2 million, representing approximately 3% of the total PwC fees (audit and non-audit).

### Audit Report on the Annual Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by PwC in accordance with International Standards on Auditing issued by the International Accounting Standards Board. The unqualified auditor's report is set out on pages 86 to 90. The consolidated financial statements of the Group for the year ended 31 December 2019 have also been reviewed by the Audit Committee.

## Risk Management, Internal Control and Legal & Regulatory Compliance

### Board oversight

The Board has overall responsibility for the systems of risk management, internal control and legal and regulatory compliance of the Group.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the business operations of the Group and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification, reporting and management of risks. The Board evaluates and determines the nature and extent of risks (including ESG-related risks) that the Company is willing to accept in pursuit of the strategic and business objectives of the Group. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. The reporting and review processes include review by the Executive Director, the Chief Financial Officer and the Board of budgets, strategic plans, and detailed operational and financial reports as provided by business unit management as well as review by the Audit Committee of ongoing work of internal audit and risk management functions.

On behalf of the Board, the Audit Committee also regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis. To assist the Audit Committee in discharging its responsibilities, a Governance Working Group chaired by the Non-executive Director and Company Secretary, comprising representatives from key departments of the Company, provides timely updates, identifies emerging matters of compliance, and establishes appropriate compliance policies and procedures for group-wide adoption. During the year, the Company reviewed the key risk areas facing the Group in light of the current data privacy, antitrust and competition law regimes. Practical trainings, internal control measures, guidelines and policies tailor-made for key business units were introduced to strengthen the compliance programme of the Group in these areas.

The Audit Committee is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the composition of the nomination committee as explained in this report.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the business objectives of the Group, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

### Risk management

Based on the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) model, the Company establishes its Enterprise Risk Management (ERM) framework to support the delivery of the Group's business and strategic objectives. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Group, be they of strategic, financial, operational or compliance nature.

The Group's risk management is a continuous process integrated seamlessly into the day-to-day activities at all levels of the Group. There is ongoing communication between the executive management of the Group and the business units on the current and emerging risks, their plausible impact and mitigation measures so as to institute additional controls and deploy appropriate insurance instruments to minimise or transfer the impact of risks to the Group's business. In addition, the Group's Directors and officers are protected against potential personal legal liabilities through the Directors and Officers Liability Insurance.

In terms of formal risk review and reporting, the Company adopts a "top-down and bottom-up" approach, involving input from each major business unit as well as discussions and reviews by the Executive Director and the Board, through the Audit Committee. More specifically, on a half-yearly basis, each major business unit is responsible for formally identifying the significant risks its business faces, measuring them against a defined set of criteria, and considering likelihood of occurrence and potential impact on the business, whilst the Executive Director provides input after taking a holistic assessment of all the significant risks that the Group faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite risk register together with the risk heat map, as part of the Risk Management Report, are submitted to the Audit Committee for review on a half-yearly basis. The Audit Committee, on behalf of the Board, reviews the nature and extent of the significant risks facing the Group, and provides input as appropriate so as to ensure that effective risk management system is in place.

Pages 25 to 29 of this report provide a description of the risk factors of the Group which could affect the financial condition or results of operations of the Group that differ materially from expected or historical results.

### Internal control environment

Group structures covering all subsidiaries, associated companies and joint ventures are maintained and updated on a timely and regular basis. Directors are appointed to the boards of all material operating subsidiaries and associated companies for overseeing and monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and determination of business strategies with associated risks identified and key business performance targets set. The executive management team is accountable for the conduct and performance of the business of the Group within the agreed strategies. The Executive Director monitors the performance and reviews the risk profiles of the group companies on an on-going basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management team of each business unit and the Executive Director.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management team and the Executive Director as part of the five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, Management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Director reviews monthly management reports on the financial results and key operating statistics of each business and holds monthly meetings with the senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, the Chief Financial Officer and finance managers of the business operations hold monthly meetings to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its subsidiary operations. The Group's finance department oversees the investment and lending activities of the Group and also evaluates and monitors financial and operational risks, and makes recommendations to Management to mitigate those risks. Treasury reports on cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval by the Chief Financial Officer or Executive Director are required prior to commitment for unbudgeted expenditures as well as material expenditures within the approved budget. Monthly reports of actual versus budgeted and approved expenditures are also reviewed.

The Group also has followed group-wide treasury policies covering specific aspects, such as bank account control and procedures, monitoring and compliance control for loan covenants.

In terms of formal review of the internal control system of the Group, an internal control self-assessment process is in place, that requires the senior management of each business unit to review, evaluate and declare the effectiveness of the internal controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the Risk Management Report as mentioned earlier and the independent assessments by the auditors, form part of the bases on which the Audit Committee formulates its opinion on the effectiveness of risk management and internal control systems of the Group.

## Legal and regulatory compliance

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The legal department has the responsibility of safeguarding the legal interests of the Group. It monitors the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal documentation and corporate secretarial documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management on legal and commercial issues of concern. In addition, the legal department is responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory frameworks within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response or filings with relevant regulatory and/or government authorities on regulatory issues and consultations. The legal department also prepares and updates internal policies and conducts tailor-made workshops where necessary so as to strengthen the internal controls and compliance procedures of the Group.

## Corporate Governance Report

The legal department reports to the group legal department of the holding company of the Group on all material legal, regulatory and corporate secretarial matters. It determines and approves in conjunction with the group legal department of the holding company of the Group the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as the most cost effective services are rendered. Further, the legal department organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for Directors, business executives and the legal and corporate secretarial teams.

On the listed company level, the Group is subject to the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the SFO. The legal department is vigilant with the legal requirements under these statutes, rules and regulations.

### Governance policies

The Group places utmost importance on the ethical, personal and professional standards of Directors and employees of the Group. It is committed to upholding high standard of business integrity, honesty and transparency in all business dealings. The Group has adopted and implemented a number of governance policies imposing requirements on Directors and employees to conduct themselves in compliance with applicable laws, rules and regulations. These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

Key governance policies and guidelines of the Group include:

#### *Code of Ethics*

The Code of Ethics sets the standards for employees as are necessary to promote honest and ethical conduct, accurate and timely disclosure in the reports and documents that the Group files or submits to regulators, compliance with applicable laws and regulations, prompt internal reporting of violations and accountability for compliance with the Code of Ethics. Every employee is required to undertake to adhere to the Code of Ethics, which includes provisions dealing with conflict of interest, equal opportunities, diversity and a respectful workplace, health and safety, protection and proper use of company assets, record keeping, bribery and corruption, personal data protection and privacy as well as reporting procedures for illegal and unethical behaviour. It is also the Group's general policy not to make any form of donation to political associations or individual politicians. Approval from the Chairman is required for any political contributions by the Group. Employees are required to report any non-compliance with the Code of Ethics in accordance with the established reporting and escalation procedures.

#### *Procedures for Reporting Possible Improprieties in Matters of Financial Reporting or Internal Control*

In line with the commitment to achieve and maintain high standard of openness, probity and accountability, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report to the Company any suspected impropriety, misconduct or malpractice concerning the Group. In this regard, the Company has adopted the Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters, which is posted on the website of the Company. The procedures aim to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Company will extend to them against unfair dismissal or victimisation for any genuine reports made.

### *Anti-Bribery and Anti-Corruption Policy*

In all its business dealings, the Group does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Anti-Bribery and Anti-Corruption Policy, which outlines the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and promptly to seek guidance where necessary. Each business unit is required to report any actual or suspected incident of bribery, corruption, theft, fraud or similar offences to the Chief Financial Officer and the internal audit for independent analyses and necessary follow up (see page 78 to 79 of this report for more details).

### *Policy on Appointment of Third Party Representatives*

The Group is also committed to promoting anti-corruption practices amongst any third party representatives (such as advisers, agents, consultants, introducers and finders) it engages. All group companies are required to exercise due care and diligence in selecting third party representatives and in monitoring their activities, and should adhere to the Group's Policy on Appointment of Third Party Representatives in this regard.

### *Media, Public Engagement and Donation Policy*

The Group places high value on its reputation in the communities where it operates. Employees are required to observe the Media, Public Engagement and Donation Policy to ensure that the market receives timely and accurate information about the Group. The corporate affairs department is designated to help Management provide clear, consistent and congruent messages for the Group's businesses through the media in a speedy, professional and well-coordinated manner.

### *Shareholder Communication Policy*

The Group is committed to enhancing long-term shareholder value through regular communication with its shareholders, both individual and institutional. To this end, the Group strives to ensure that all shareholders have ready and timely access to all publicly available information of the Group. The Shareholder Communication Policy sets out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

### *Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information*

With a view to ensuring that inside information is identified, handled and disseminated in compliance with the SFO, and proper internal control procedures are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations, the Group has implemented the Policy on Securities Dealing and Handling of Confidential and Price-sensitive Inside Information. The policy also adopts additional precautions which should be taken by employees who are in possession of inside information, including identification of project by code name and dissemination of information to stated purpose and on a need to know basis. Whilst all employees are absolutely prohibited at all times from dealing in the securities of the Company when they are in possession of unpublished inside information, certain members of senior management or staff are subject to specific additional compliance requirements as are communicated to them individually from time to time (including but not limited to obtaining written pre-clearance from the designated members of the Board prior to any dealing in any securities of the Company is allowed). Further certain staff members of the finance department are subject to a two-month blackout period prior to the release of the Company's annual results.

### *Policy on Personal Data Privacy Compliance*

The Group is also committed to the safeguard and protection of the personal data of its customers and employees. Employees must only collect and use personal data in accordance with applicable data protection laws, as well as the Policy on Personal Data Privacy Compliance and the local policies and procedures of its employing company.

### *Information Security Policy*

Employees must not disclose any confidential information of the Group, its customers, suppliers, business partners or shareholders, except when disclosure is authorised by the Group in accordance with the Information Security Policy, which defines the common policies for information confidentiality, integrity and availability to be applied across the entire Group.

Employees are required to make a self-declaration every year to confirm that he/she has read, understood and will continue to comply with the various group policies.

### *Board Diversity Policy and Director Nomination Policy*

The two Board policies, Board Diversity Policy and Director Nomination Policy were adopted by the Board in August 2013 and January 2019, respectively. These two policies set out the approach and procedures the Board adopts for the nomination and selection of Directors as well as the approach to achieving diversity. Further details of the policies are provided on pages 81 to 82 of this report.

### **Internal audit**

Internal audit, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management and internal control systems in the business operations of the Group. It has wide authority to access to documents, records, properties and personnel of the Group. By applying risk assessment methodology and considering the dynamics of the activities of the Group, internal audit devises its three-year risk-based audit plan for the Audit Committee's review. The plan is subject to continuous reassessment taking into account external and internal factors such as macro economic and political concerns, business and operational changes, as well as audit and fraud findings that may affect the risk profile of the Group during the year.

Internal audit is responsible for assessing the risk management and internal control systems of the Group, including reviewing the continuing connected transactions of the Company (refer to pages 54 to 55 of this report for more details), formulating an impartial opinion on the systems, and reporting its findings to the Audit Committee, the Executive Director and the executive management team concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by internal audit includes financial, IT, operations, governance policy and regulatory compliance reviews, recurring and surprise audits, as well as productivity efficiency reviews.

Internal audit is also responsible for periodic fraud analyses and independent investigations. In accordance with the Group's Code of Ethics and Anti-Bribery and Anti-Corruption Policy, each business unit is required to report to the Company any actual or suspected fraudulent activities within a 24-hour timeframe if the amount involved is greater than the de minimis threshold as agreed between internal audit and the Chief Financial Officer or the Executive Director. In addition, each business unit submits a summary of fraud incidents statistics to the Company on a quarterly basis. These cases, together with those escalated through the whistleblowing channel, are recorded in the Company's centralised fraud incidents register under the internal audit's custody, and are independently assessed and investigated as appropriate. Internal audit would promptly escalate any incidents of a material nature to the Chairman of the Audit Committee for his direction. Also, a summary of the fraud incidents and relevant statistics (including results of independent investigations and actions taken) is presented to the Audit Committee on a quarterly basis.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to internal audit and, as appropriate, to the Chief Financial Officer. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2019 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the accounting, internal audit and financial reporting function of the Group, and their training programmes and budget.

## Remuneration of Directors and Senior Management

### Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments.

The Committee is chaired by Dr Lan, an Independent Non-executive Director, with the Chairman, Mr Fok and Mr Ip (an Independent Non-executive Director, who was appointed following the resignation of Mr Cheong on 31 December 2019) as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence under the Listing Rules. The Remuneration Committee meets towards the end of each year to determine the remuneration package of Directors and senior management of the Group. Remuneration matters are also considered and approved by way of written resolutions and where warranted, at additional meetings.

The Remuneration Committee held one meeting in 2019 with 100% attendance.

Members	Attended/Eligible to attend
Lan Hong Tsung, David ( <i>Chairman</i> )	1/1
Fok Kin Ning, Canning	1/1
Cheong Ying Chew, Henry <sup>(1)</sup>	1/1
Ip Yuk Keung <sup>(2)</sup>	N/A

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.



The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating a broader and more diverse pool of employees of the highest calibre and experience needed to shape and execute the strategy of the Group. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of the Executive Director and senior management of the Group is delegated to the Remuneration Committee.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), business activities and human resources issues, and headcount and staff costs of the Group. It also reviewed and approved the 2020 director's fees for the Executive Director and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Remuneration Committee reviewed and approved the year end bonus and 2020 remuneration package of the Executive Director and senior executives of the Group. No Director or any of his/her associates is involved in deciding his/her own remuneration.

### Remuneration policy

The remuneration of Directors and senior executives of the Group is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. The Executive Director and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

### 2019 remuneration

Directors' emoluments comprise payments to Directors by the Group. The emoluments of each of the Directors exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. Details of emoluments paid to each Director in 2019 are set out below:

Directors	Director's fees HK\$ million	Basic salaries, allowances and benefits-in-kind <sup>(8)</sup> HK\$ million	Bonuses HK\$ million	Provident fund contributions HK\$ million	Inducement or compensation fees HK\$ million	Total emoluments HK\$ million
Fok Kin Ning, Canning <sup>(1)(4)</sup>	0.09	-	-	-	-	0.09
Lui Dennis Pok Man <sup>(1)</sup>	0.07	-	-	-	-	0.07
Woo Chiu Man, Cliff <sup>(1)</sup>	0.07	-	-	-	-	0.07
Koo Sing Fai <sup>(5)</sup>	0.07	2.90	1.95	0.22	-	5.14
Lai Kai Ming, Dominic <sup>(1)(5)</sup>	0.07	-	-	-	-	0.07
Edith Shih <sup>(1)</sup>	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry <sup>(2)(3)(4)(6)</sup>	0.16	-	-	-	-	0.16
Ip Yuk Keung <sup>(2)(3)(4)(7)</sup>	0.00 <sup>(9)</sup>	-	-	-	-	0.00 <sup>(9)</sup>
Lan Hong Tsung, David <sup>(2)(3)(4)</sup>	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna <sup>(2)(3)</sup>	0.14	-	-	-	-	0.14
<b>Total</b>	<b>0.90</b>	<b>2.90</b>	<b>1.95</b>	<b>0.22</b>	<b>-</b>	<b>5.97</b>

Notes:

- (1) *Non-executive Director.*
- (2) *Independent Non-executive Director.*
- (3) *Member of the Audit Committee.*
- (4) *Member of the Remuneration Committee.*
- (5) *Directors' fees received by these Directors from a subsidiary of the Group during the period they served as directors that have been paid to the Company or an intermediate holding company of the Company are not included in the amounts above.*
- (6) *Resigned on 31 December 2019.*
- (7) *Appointed on 31 December 2019.*
- (8) *Benefits-in-kind included insurance and transportation.*
- (9) *The amount of Director's fees shown in above is a result of rounding. Director's fees for the year 2019 is HK\$438.*

The remuneration paid to the members of senior management by bands in 2019 is set out below:

Remuneration bands	Number of individual
HK\$1,000,001 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	1
HK\$2,000,001 to HK\$2,500,000	2
HK\$2,500,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$3,500,000	1
HK\$3,500,001 to HK\$4,000,000	1

## Nomination of Directors

### Nomination Committee

The Board established the Nomination Committee chaired by the Chairman of the Board with all Directors as members. An ad hoc sub-committee, chaired by the Chairman of the Board comprising members in compliance with the code provision requirements under the Listing Rules for a nomination committee, will be established as and when required to facilitate the Nomination Committee in the selection and nomination process. The Board is of the view that the ultimate responsibility for the selection, nomination and appointment of Directors rests with the Board as a whole and it is in the best interests of the Company that the Board collectively reviews, determines and approves the structure, size and composition of the Board as well as the succession plan for Directors, as and when appropriate.

The responsibilities of the Nomination Committee are to review the structure, size, diversity profile and skills set of the Board against its needs and make recommendation on the composition of the Board to achieve the Group corporate strategy as well as promote shareholder value. It facilitates the Board in the conduct of the selection and nomination of Directors, makes recommendation to the Board on the appointment or re-appointment of Directors and succession planning of Directors. Furthermore, it also assesses the independence of Independent Non-executive Directors having regard to the criteria under the Listing Rules.

## Nomination Process

The nomination process has been, and will continue to be conducted in accordance with the Director Nomination Policy and Board Diversity Policy, which are available on the website of the Company. The Board will from time to time review these policies and monitor their implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Board candidates are selected based on merit and the contribution such candidate can bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the corporate strategy of the Group and the benefits of various aspects of diversity, including gender, age, culture, ethnicity, educational background, professional experience and other factors that the Board may consider relevant from time to time towards achieving a diversified Board.

As noted above, the Nomination Committee will, on an ad hoc basis, establish a sub-committee when the need to select, nominate or re-elect Directors arises. In the determination of the suitability of a candidate, the sub-committee will have due regard to the benefits of various aspects of diversity in accordance with the Board Diversity Policy. If the Board determines that an additional or replacement Director is required, the sub-committee will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms. Where a retiring Director, being eligible, offers himself/herself for re-election, the sub-committee will consider and, if appropriate, recommend such retiring Director to stand for re-election. A circular containing the requisite information on retiring Directors will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Shareholders of the Company may also nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association and applicable laws and regulations. The procedures for such proposal are posted on the website of the Company.

The Nomination Committee held one meeting in 2019 with 100% attendance.

Members	Attended/Eligible to attend
Fok Kin Ning, Canning ( <i>Chairman</i> )	1/1
Lui Dennis Pok Man	1/1
Woo Chiu Man, Cliff	1/1
Koo Sing Fai	1/1
Lai Kai Ming, Dominic	1/1
Edith Shih	1/1
Cheong Ying Chew, Henry <sup>(1)</sup>	1/1
Ip Yuk Keung <sup>(2)</sup>	N/A
Lan Hong Tsung, David	1/1
Wong Yick Ming, Rosanna	1/1

Notes:

(1) Resigned on 31 December 2019.

(2) Appointed on 31 December 2019.

The sub-committee of the Nomination Committee held one meeting in 2019 with 100% attendance.

Members	Attended/Eligible to attend
Fok Kin Ning, Canning ( <i>Chairman</i> )	1/1
Lan Hong Tsung, David	1/1
Wong Yick Ming, Rosanna	1/1

During 2019, the Nomination Committee reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board, ensuring that it has a balanced composition of skills and experience appropriate for the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. The Committee assessed the independence of all the Independent Non-executive Directors and considered all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the day-to-day management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. In connection with the re-election of Directors at the 2019 annual general meeting, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Dr Lan and Dr Wong, was established to facilitate the Nomination Committee in the nomination process described above (including the assessment of the independence of the retiring Independent Non-executive Directors). In December 2019, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Dr Lan and Dr Wong, was also formed to assess potential candidates for appointment as Independent Non-executive Director to fill a causal vacancy on the Board.

In February 2020, a sub-committee comprising the Chairman of the Board and two Independent Non-executive Directors, Mr Ip and Dr Wong, was established to assist the Nomination Committee in selecting the Directors for retirement and re-election at the 2020 annual general meeting.

## Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. Through the Chief Executive Officer, the Chief Financial Officer, the Investor Relations Department and the Corporate Secretarial team, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. The Shareholder Communication Policy, which is available on the website of the Company, has been adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board formalised and adopted a dividend policy for the Company which took effect from 1 January 2019 and it recognises the benefits of providing shareholders with dividends linked to the underlying earnings performance of the business. The policy is pursued to deliver value to the shareholders while maintaining a sustainable financial position and healthy operating cash flow. Subject to business conditions, market opportunities and maintenance of the Company's strong financial position, the Company has adopted a policy of paying regular dividends with a normal target payout ratio of 75% of recurring profit attributable to shareholders for the year.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. The Memorandum and Articles of Association of the Company is published on the websites of the Company and HKEx. Moreover, additional information on the Group is available to shareholders and stakeholders through the Investor Relations page on the website of the Company.

Annual general meetings and other general meetings of the Company provide one of the primary forums for communication with shareholders and for shareholder participation. Such meetings provide shareholders with the opportunity to share their views and to meet the Board and certain members of senior management. Question and answer sessions at general meetings foster constructive dialogues between shareholders of the Company, Board members and Management.

Shareholders are encouraged to participate at general meetings of the Company physically, or by proxy if they are unable to attend in person. Pursuant to article 58 of the Articles of Association, any shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company has statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders, by sending the Board or the Company Secretary at the principal place of business a written request for such general meetings, signed by the shareholders concerned together with the proposed agenda items and such meeting shall be held within two months of the deposit of such requisition.

All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Hong Kong Share Registrar of the Company. The results of the poll are published on the websites of the Company and HKEX. In addition, regular updated financial, business and other information on the Group is made available on the website of the Company for shareholders and stakeholders.

The last shareholders' meeting of the Company was the 2019 annual general meeting (the "AGM"), which was held on 8 May 2019 at Harbour Grand Kowloon, and attended by all Directors and its external auditor. The respective chairman of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee were all present. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing.

Separate resolutions were proposed at the AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 8 May 2019 are set out below:

Resolutions proposed at the AGM		Percentage of votes
1	Adoption of the audited financial statements together with the report of the Directors and the report of the Independent Auditor for the year ended 31 December 2018	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr FOK Kin Ning, Canning as a Director	94.48%
3(b)	Re-election of Ms Edith SHIH as a Director	94.43%
3(c)	Re-election of Mr KOO Sing Fai as a Director	99.76%
3(d)	Re-election of Mr CHEONG Ying Chew, Henry as a Director	94.48%
3(e)	Authorisation of the board of directors to fix the Directors' remuneration	99.99%
4	Re-appointment of PricewaterhouseCoopers as the Auditor and authorisation of the board of directors to fix the Auditor's remuneration	99.95%
5	Granting of a general mandate to the directors to issue new shares of the Company	97.45%
6	Granting of a general mandate to the directors to repurchase shares of the Company	99.95%

Accordingly, all resolutions put to shareholders at the AGM were passed. The results of the voting by poll were published on the websites of the Company and HKEX.

Other corporate information relating to the Company is set out in the "Information for Shareholders" section of this report. This includes, among others, dates for key corporate events for 2020 and public float capitalisation as at 31 December 2019.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Investor Relations Manager or the Company Secretary by mail to 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong or by e-mail at [ir@hthkh.com](mailto:ir@hthkh.com).

## Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business, and attaches great importance on reducing energy consumption of its cellular network. In addition to environmental sustainability, the Group is also involved in a number of digital inclusion initiatives to help bridge the digital divide of the underprivileged. The Group is also continually improving its business practices and employee training in such best practices. It has adopted a proactive approach to ESG responsibility and has established a working group chaired by a Director and comprising representatives from key departments of the Company to spearhead the ESG initiatives and activities of the Group and to enhance the Group's ESG efforts. The ESG Report of the Group is set out on pages 30 to 42 of this report.

By Order of the Board

**Edith SHIH**

Non-executive Director and Company Secretary

Hong Kong, 28 February 2020