

## **The Board** (continued)

### **Board Meetings**

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by Directors at the Board's meetings. A Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

The Board convened eight meetings during the financial year ended 31 December 2018. Mdm. CHENG Cheung, Mr. LUK Yan, Mr. FAN Chiu Tat, Martin and Ms. LUK Sze Wan, Monsie attended all board meetings, while Mr. LUK Fung attended seven board meetings, and Mr. LIU Li Yuan, Mr. LIANG Fang and Mr. LAM Chi Kuen attended three board meetings.

### **Appointment, re-election and removal of Directors**

The Board is responsible for the appointment and removal of Directors.

According to the Company's Bye-laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation. If the number of Board members is not a multiple of three, then the number nearest to but not greater than one-third shall retire by rotation. Retired Directors are eligible for re-election at each annual general meeting.

According to the Company's Bye-laws, any director in his first year of appointment is subject to re-election by shareholders at the forthcoming annual general meeting.

All Independent Non-executive Directors are appointed for a specific term of one year and are subject to re-election at each annual general meeting.

# Corporate Governance Practices

## **The Board** (continued)

### **Induction and Continuous Professional Development**

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

According to the records maintained by the Company, the following Directors received training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2018, :by:-

- (A) reading newspapers, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.
- (B) attending seminars and/or conference and/or forum

Mdm. CHENG Cheung, Mr. LUK Yan, Ms. LUK Sze Wan Monsie and Mr. LIU Li Yuan have attained (A) above, whereas Mr. LUK Fung, Mr. FAN Chiu Tat Martin, Mr. LAM Chi Kuen and Mr. LIANG Fang, have attained both (A) and (B) above.

### **Directors' and Officers' Liability Insurance and Indemnity**

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

### **Chairman and Chief Executive Officer**

The role of the Chairman is to lead and oversee the functioning of the Board and to ensure the establishment of a sound strategic direction of the Group. The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations.

## **The Board** (continued)

### **Chairman and Chief Executive Officer** (continued)

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, both the roles of Chairman and Chief Executive Officer of the Company are performed by Mdm. CHENG Cheung. Mdm. CHENG is a founder of the Company and is in charge of the overall management of the Company. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.

## **BOARD COMMITTEES**

The Board currently has three principal board committees, which are the audit committee, the remuneration committee and the nomination committee.

### **Audit Committee**

The Company has set up an Audit Committee, comprised solely of all three independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan, and Mr. LAM Chi Kuen. Mr. LIANG Fang is the chairman of the Audit Committee. All members of the Audit Committee have many years of finance and business management experience and expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditor's reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

In 2018, the audit committee met twice and all members attended both meetings. During the year, the Audit Committee performed the works as summarized below:

- (i) reviewed and recommended 2017 final results, audit findings and draft final results announcement for the Board's approval;
- (ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;
- (iii) reviewed and discussed on the Management Discussion and Analysis, and different business segments' performances, contributions and prospects;

# Corporate Governance Practices

## **The Board** (continued)

### **Audit Committee** (continued)

- (iv) reviewed and discussed the cashflow situation of the Group;
- (v) discussed the final dividend to be declared;
- (vi) considered the audit fee for the Year 2018;
- (vii) reviewed and recommended 2018 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;
- (viii) reviewed and recommended the Report on Internal Control for the Board's approval.

### **Remuneration Committee**

The Company has set up a Remuneration Committee, comprised of Mr. LIANG Fang and Mr. LIU Li Yuan being independent non-executive directors of the Company and Mdm. Cheng Cheung, the Chairman of the Company. Mr. LIU Li Yuan is the chairman of the remuneration committee.

The primary responsibilities of the Remuneration Committee include, among other things, determining the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of non-executive directors, reviewing and approving performance-based remuneration, ensuring that no director or any of his associates is involved in deciding his own remuneration, making recommendations to the board of directors on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock plans.

In 2018, the Remuneration Committee met once. All members attended both meetings. During the year, the Remuneration Committee performed the works as summarized below:

- (i) reviewed remuneration packages of all senior management;
- (ii) reviewed and recommended the existing policy and structure for the Company's staff, including salary, share options scheme and other incentive scheme;
- (iii) reviewed the existing policy and structure for the remuneration of Directors;
- (iv) reviewed and recommended revision of the existing remuneration packages of the Executive Directors;
- (v) reviewed remuneration of the independent non-executive directors.

At present, remunerations of the senior management of the Company mainly consist of fixed monthly salary. Certain senior management is also awarded with a performance-linked annual bonus, which is tied to the attainment of key performance indicators targets. The remuneration of non-executive directors is determined with reference to the prevailing market conditions and workload of being non-executive directors and members of the board committees of the Company.

## **The Board** (continued)

### **Nomination Committee**

The Company has set up a Nomination Committee, comprised of Mr. LIANG Fang and Mr. LIU Li Yuan being independent non-executive directors of the Company and Mdm. Cheng Cheung, the Chairman of the Company. Mdm. Cheng Cheung is the chairman of the nomination committee.

The primary responsibilities of the Nomination Committee include, among other things, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board, selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors, making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and, reviewing the Committee's terms of reference and its own effectiveness and recommending to the Board from time to time any necessary changes.

In 2018, the Nomination Committee met once. Mdm. CHENG Cheung, Mr. LIU Li Yuan and Mr. LIANG Fang attended all meetings. During the year, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board. The Nomination committee also reviewed the independency of all independent non-executive directors, and the re-appointment of directors.

### **Directors' Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code. All Directors have confirmed, following specific enquiry that they have complied with the Model Code throughout the year ended 31 December 2018. Formal notifications were sent by the Company to all Directors reminding them not to deal with the securities of the Company during the "black out period" as specified in the Model Code.

### **Directors' Responsibility For The Consolidated Financial Statements**

The Directors acknowledge their responsibility, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis. The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorizes their publication as and when required.

# Corporate Governance Practices

## Auditor's Remuneration

Messrs. Ernst & Young has been re-appointed as the Company's auditor at the annual general meeting of 2018 until the conclusion of the next annual general meeting.

For the year ended 31 December 2018, amounts of HK\$2,343,000 and HK\$88,000 were paid to Ernst & Young for their statutory audit service and tax service respectively.

The statement of the Company's auditor, Messrs. Ernst & Young, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 37 and 42.

## Internal Control

The Board recognizes its responsibility for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests.

Internal control, including a defined management structure with limits of authority, is designed to help achieve business objectives, safeguard assets against unauthorized use, and maintain proper accounting records for the provision of reliable financial information for internal use or for publication. The system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Management maintains and monitors the system of controls on an ongoing basis.

During 2018, based on the evaluations made by management, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate, and there is an ongoing process to identify, evaluate and manage significant risks faced by the Group.

## Shareholders' Rights

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders 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 shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, Shareholders holding not less than one-twentieth of the total voting rights or not less than 100 Shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting. Any vote of Shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and The Stock Exchange of Hong Kong Limited ("SEHK") on the day of the general meeting. The memorandum of association of the Company and Bye-laws are available on the websites of the Company and SEHK. Detailed procedures for the Shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

## Communication With Shareholders

The Board has established various channels of communication, with the objective of enabling the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its Shareholders' meeting as an important means of communication with the Shareholders in which the Shareholders will be able to have an open dialogue with the Board. Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. The Company's auditor also attends the Company's annual general meetings and addresses queries from the Shareholders relating to the conduct of the audit and the preparation and content of its auditor's reports.

Apart from holding Shareholders' meeting, the Company also endeavours to maintain effective communication with all Shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the SEHK. Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

## Investor Relations

The Company pursues a proactive policy of promoting investor relations and communications with the Shareholders. To this end, the Company maintains an open dialogue with the Shareholders and investors through the Company's financial reports, press releases, road shows, investors' meetings and general meetings that may be convened, as well as making available all the disclosures submitted to SEHK to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

# Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

## Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## Results and Dividends

The Group's profit for the year ended 31 December 2018 and the Group's financial position at that date are set out in the financial statements on pages 43 to 127.

An interim dividend of HK4 cents per ordinary share was paid on 12 October 2018. The directors recommend the payment of a final dividend of HK6 cents per ordinary share in respect of the year to shareholders on the register of members on 4 June 2019.

## Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 130. This summary does not form part of the audited financial statements.

## Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements respectively. Further details of the Group's investment properties are set out on page 128.

## Share Capital and Share Options

Details of movements in the Company's share capital during the year are set out in note 28 to the financial statements. During the year, the Company adopted a new share option scheme. Further details are disclosed in note 29 to the financial statements.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.