

# **Our Commitment to Good Governance**

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We are committed to the principles of transparency, accountability and independence to enhance shareholder value.



# Our Commitment to Good Governance

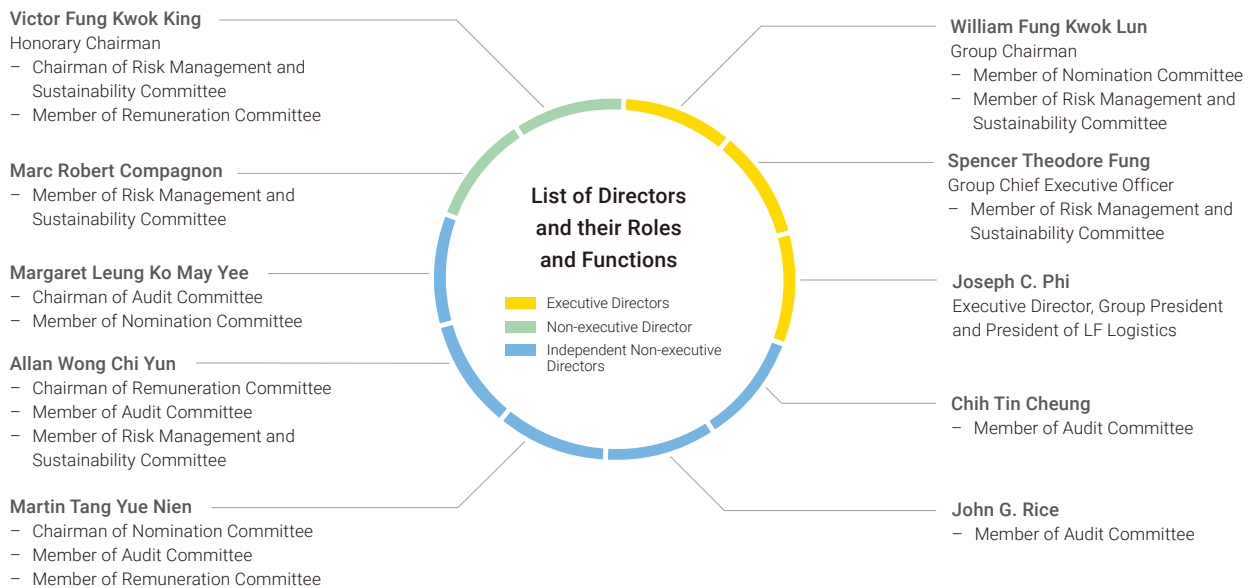
The Board and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasize transparency, accountability and independence.

## The Board

### Board Composition

The Board is currently composed of three Executive Directors, two Non-executive Director and five Independent Non-executive Directors. While the Board considers that this composition remains balanced and able to reinforce a strong independent review and

monitoring function of overall management practices, the Board has taken steps to appoint additional Independent Non-executive Directors with due regard for the benefit of diversity on the Board. Directors' biographical details and relevant relationships are set out in "Our Board and Management Team" section on pages 72 to 81.



Since 1 January 2019 and till the date of approval of this annual report, the following changes to the Board and Board Committees have occurred:

- Marc Robert Compagnon has been re-designated from Executive Director to Non-executive Director of the Company and stepped down as Group President with effect from 28 January 2019.
- Joseph C. Phi has been appointed as Group President with effect from 28 January 2019.

### Board Diversity

We believe board diversity enhances decision making capability, allowing for different perspectives, reduces likelihood of group thinking, and that a diverse board has the breadth and depth of skills and experience to steer and oversee the dynamic and emerging business of the Group. We recognize that board diversity is a vital contributing element to our sustainable development and growth. This also promotes the interests of all our stakeholders, particularly the long-term interests of our Shareholders, fairly and effectively.

Our Board Diversity Policy sets out the approach to diversify the Board and under the Policy, the Nomination Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of a new Director when necessary. In designing the Board’s composition, the Nomination Committee considers a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also consider factors based on the Group’s business model and specific needs from time to time in determining the optimum composition of the Board. In 2018, the Nomination Committee identified a number of potential candidates and recommended two of them to join the Board. All two recommended candidates were subsequently appointed in view of their business leadership and experience.

[Visit our website to download our Board Diversity Policy.](#)

The profile of our Board members is as follows:

#### Designation



ED: Executive Directors  
 NED: Non-executive Director  
 INED: Independent Non-executive Directors

#### Gender



#### Age



#### Length of Board Service



### Group Chairman and Group Chief Executive Officer

The role of the Group Chairman remains separate from that of the Group Chief Executive Officer to enhance their respective independence, accountability and responsibility.

Their responsibilities are clearly established and defined in writing by the Board.

#### Group Chairman

Responsible for ensuring the Board is functioning properly, with sound corporate governance practices and procedures.

#### Group Chief Executive Officer

Responsible for managing the Group's business, including the implementation of strategy and initiatives, with the support of Executive Directors and senior management, and within those authorities delegated by the Board.

### Roles and Responsibilities of the Board

The Board is responsible for setting the overall values, standards and strategy of the Group and reviewing its operation and financial performance.

The Non-executive Directors (the majority of whom are independent) bring diverse industry expertise and advise management on strategy, ensure the Board maintains high standards of financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of Shareholders and the Group as a whole.

### Matters Reserved for Decision or Consideration by the Board

While specific functions are delegated to Board Committees, and day-to-day operations are delegated to management, matters which have a critical bearing on the Group are specifically reserved for decision or consideration by the Board, including:

- Directors' appointments, reappointments and removals
- Constitution, composition and terms of reference of Board committees
- Overall Group strategy
- Major acquisitions and disposals
- Appointment of the Group Chairman and Group Chief Executive Officer
- Annual budgeting and monitoring of performance against budget
- Annual and interim reports
- Major financing arrangements or commitments
- Oversight of risk management and internal control systems and reviewing their effectiveness
- Ensuring relevant statutory and regulatory compliance
- Any significant operational and financial matters
- Any major corporate governance issue



Our annual general meeting.

## Delegation to Management

Operational responsibilities delegated by the Board to management include:

- Preparation of the annual and interim financial statements for Board approval before public reporting
- Execution of business strategies and initiatives adopted by the Board
- Monitoring of operating budgets adopted by the Board
- Implementation of adequate systems of risk management and internal control
- Compliance with relevant statutory requirements, rules and regulations

## Board Evaluation

The Board recognizes the importance and benefit of conducting regular evaluations of its performance to ensure effectiveness. Since 2013, the Board has adopted a structured process to evaluate its own performance and directors' contribution on an annual basis, including a self-evaluation questionnaire to each Director, seeking views on the overall performance of the Board and its committees, its composition, conduct of Board meetings, provision of information and areas for improvement. The responses are analyzed and discussed by the Board and suggestions are incorporated to improve corporate governance. The results of the 2018 Board evaluation indicated that the Board and its committees continue to function satisfactorily and the committees fulfilled their duties as set out in their terms of reference. While the

Directors are satisfied that the Board and its committees have the right mix of expertise, experience and skills, they have successfully carried out the suggestion of last year to further enhance diversity of the Board by appointing two additional new directors to the Board in 2018.

## Independence of Non-executive Directors

Each year the Board receives written confirmation from each Independent Non-executive Director of their independence and is satisfied with their independence for 2018. This assessment of independence follows the guidelines set out in Chapter 3 of the Listing Rules and is delegated by the Board to the Nomination Committee.

Independent Non-executive Directors are required to inform the Company if there is any change that may affect his/her independence.

## Appointment and Re-election of the Directors

The appointment of a new Director must be approved by the Board. The Board has delegated to the Nomination Committee the responsibility to select and recommend candidates for directorship. The Nomination Committee has established guidelines to assess the candidates in line with the Board Diversity Policy. The guidelines emphasize appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and possible time commitments to the Board and the Company, and other forms of diversity such as gender, ethnicity and age.

The Company may in general meeting by ordinary resolution of the Shareholders, elect any person to be a Director, either to fill a vacancy or to act as an additional Director up to the maximum number of Directors as determined by the Shareholders. If a Shareholder wishes to propose a person for election as a Director at the general meeting convened to deal with appointment/election of Director(s), he/she must serve a written notice and follow the designated procedures which are subject to the Bye-laws of the Company, the relevant laws and the Listing Rules. Details of the procedures for nomination of Directors by Shareholders are available on our website.

All Non-executive Directors are appointed for a term of three years and all Directors are subject to retirement by rotation and re-election at annual general meetings. Under the Company's Bye-laws, one-third of the Directors, who have served longest on the Board, must retire and be eligible for re-election at each annual general meeting, provided that each Director is subject to retirement by rotation at least once every three years. In addition, any Director appointed by the Board, either to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the following annual general meeting and then be eligible for re-election.

To further reinforce accountability, any further reappointment of an Independent Non-executive Director who has served the Board for more than nine years will be subject to a separate resolution to be approved by Shareholders.

## Induction and Ongoing Development

While we recognize that the majority of the Directors' personal and professional development arises from their on-the-job experience, our Directors also participated in professional training to enhance and refresh their knowledge and skills for discharging their duties and responsibilities.

All Directors were informed on a timely basis of major changes that may have affected the businesses, including relevant rules and regulations. Since 2003, we have implemented an annual Board training program to update the Directors (in particular Independent Non-executive Directors) on the macroeconomics, business environment and regulatory requirements relevant to our operations. Board meetings outside of Hong Kong, coupled with briefings and office tours have been conducted since 2004.

In addition, each newly-appointed Director receives a tailored induction program that includes an overview by the Group Chairman and meetings with management and the Company's external legal advisor on Directors' legal role and responsibilities.

All Directors are required to provide their training records annually. In 2018, all Directors attended the arranged training sessions and gave, or attended, speeches at external seminars/training sessions.

### Independent Reporting of Corporate Governance Matters

The Board recognizes the importance of independent reporting of corporate governance matters. The Group Chief Compliance and Risk Management Officer, as appointed by the Board, was invited to attend Board and committee meetings in 2018 to advise on corporate governance matters covering risk management and relevant compliance issues relating to business operations, mergers and acquisitions, accounting and financial reporting.

To further enhance communication between the Group Chairman and the Non-executive Directors, separate meeting was held in 2018 without other Executive Directors present. Written procedures are also in place for Directors to seek independent professional advice in performing their duties, at the Company’s expense. No requests for independent professional advice were made in 2018.

### Liability Insurance for the Directors

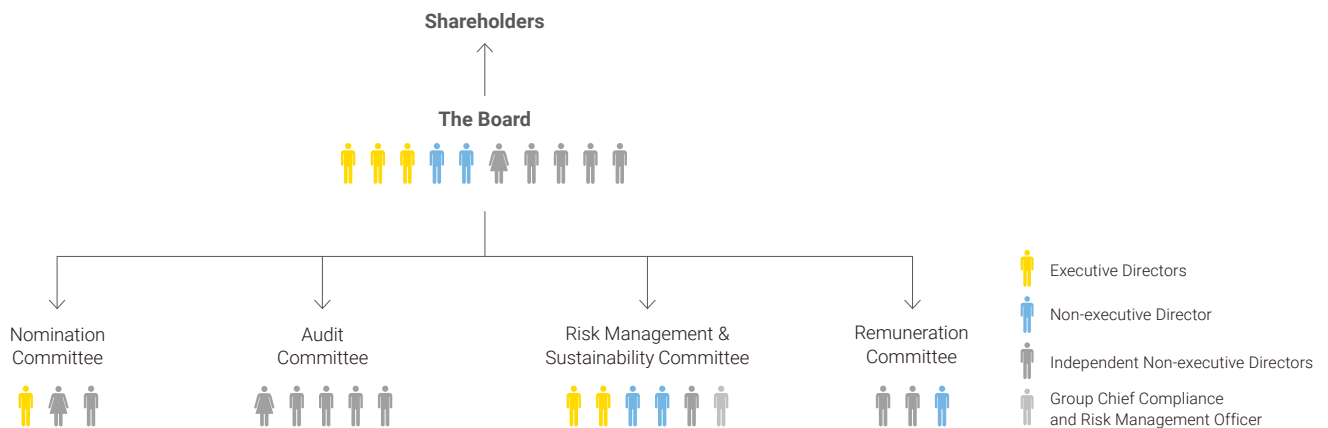
Details of liability insurance to indemnify the Directors for their liabilities arising out of corporate management activities are disclosed in the “Report of the Directors” section on page 145.

### Board and Committee Meetings

Regular Board and Board committee meetings are scheduled a year in advance to facilitate maximum attendance. The agenda is set by the Group Chairman in consultation with members of the Board and the committee meeting agendas are set by the respective committee chairman. Senior management is typically invited to join Board meetings to enhance communication. The external auditor attended the 2018 annual general meeting to answer any questions from Shareholders on the audit of the Group.

In 2018, the Board held five meetings with an average attendance rate of 100%. Below is a summary of the Board and committee composition, and meetings held in 2018.

### The Board and Shareholders





### Board and Committee Meetings for Year 2018

The board met formally and regularly throughout the year, as well as on an ad hoc basis as required by business needs.

Details on number of meetings attended/held are shown below.

	Board	Nomination Committee	Audit Committee	Risk Management and Sustainability Committee	Remuneration Committee	Annual General Meeting	Special <sup>10</sup> General Meeting
Victor Fung Kwok King <sup>1</sup>	5/5	N/A	N/A	4/4	2/3	1/1	1/1 <sup>11</sup>
Marc Robert Compagnon <sup>2</sup>	5/5	N/A	N/A	4/4	N/A	1/1	1/1
Allan Wong Chi Yun <sup>3</sup>	5/5	N/A	4/4	4/4	3/3	1/1	1/1
Martin Tang Yue Nien <sup>4</sup>	5/5	2/2	4/4	N/A	3/3	1/1	1/1
Margaret Leung Ko May Yee <sup>5</sup>	5/5	2/2	4/4	N/A	N/A	0/1	0/1
Chih Tin Cheung	5/5	N/A	4/4	N/A	N/A	1/1	0/1
John G. Rice <sup>6</sup>	5/5	N/A	4/4	N/A	N/A	1/1	0/1
William Fung Kwok Lun <sup>7</sup>	5/5	2/2	N/A	3/4	N/A	1/1	1/1 <sup>11</sup>
Spencer Theodore Fung <sup>8</sup>	5/5	N/A	N/A	3/4	N/A	1/1	1/1 <sup>11</sup>
Joseph C. Phi <sup>9</sup>	5/5	N/A	N/A	N/A	N/A	1/1	1/1
Jason Yeung Chi Wai <sup>12</sup>	5/5 <sup>12</sup>	2/2 <sup>12</sup>	4/4 <sup>12</sup>	4/4	3/3 <sup>12</sup>	1/1 <sup>12</sup>	1/1 <sup>12</sup>
<b>Average attendance rate</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>92%</b>	<b>89%</b>	<b>90%</b>	<b>70%</b>
<b>Dates of meeting</b>	22/3/2018	15/3/2018	15/3/2018	1/2/2018	14/5/2018	15/5/2018	31/1/2018
	15/5/2018	20/11/2018	14/5/2018	25/4/2018	21/8/2018		
	25/6/2018		21/8/2018	13/8/2018	20/11/2018		
	22/8/2018		20/11/2018	29/10/2018			
	20/11/2018						

- Honorary Chairman, and Chairman of the Risk Management and Sustainability Committee
- Re-designated from an Executive Director to a Non-executive Director and stepped down as the Group President with effect from 28 January 2019
- Chairman of the Remuneration Committee
- Chairman of the Nomination Committee
- Chairman of the Audit Committee
- Appointed as an Independent Non-executive Director and a member of the Audit Committee with effect from 10 January 2018
- Chairman of the Board
- Group Chief Executive Officer
- President of LF Logistics, appointed as an Executive Director with effect from 10 January 2018, and appointed as Group President with effect from 28 January 2019
- Special General Meeting was held to approve the strategic divestments of the Furniture, Beauty and Sweaters product verticals and the transactions contemplated thereunder
- Abstained from voting at the Special General Meeting as each of them was considered to have a material interest in the strategy divestment and the transactions contemplated thereunder
- Group Chief Compliance and Risk Management Officer, attended Board and Committee meetings as a non-member

## Board Committees

The Board has established the following committees (all chaired by an Independent Non-executive Director or a Non-executive Director) with defined terms of reference (available on our website), which are in line with the Corporate Governance Code of the Listing Rules:

- Nomination committee
- Audit committee
- Risk management and sustainability committee
- Remuneration committee

Each committee has the authority to engage outside consultants or experts as it considers necessary to discharge its responsibilities. Minutes of all committee meetings are circulated to all Board members. To further reinforce independence and effectiveness, since 2003, all Audit Committee members are Independent Non-executive Directors, and the Nomination and Remuneration Committees have been structured with a majority of Independent Non-executive Directors as members. Details and reports of the Committees are below.

## Nomination Committee

The Nomination Committee was established in 2001 and has been chaired by an Independent Non-executive Director since 2011. Its terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of Board composition, assessment of the independence of Independent Non-executive Directors, the management of Board succession, identification of suitably qualified individuals to become Board members, and the committee's role in selecting or making recommendations to the Board on the selection of individuals nominated for directorships, and monitoring the training and continuous professional development of Directors and senior management.

The Committee met twice in 2018 (with an attendance rate of 100%) and was responsible for:

- Reviewing the structure, size, composition and balance of the Board, including diversity, the retirement of Directors by rotation, the reappointment of retiring Directors at the 2018 annual general meeting and the identification of potential candidates to fill Board vacancies
- Assessing the independence of Independent Non-executive Directors
- Monitoring the training and continuous professional development of Directors and senior management

## Audit Committee

The Audit Committee was established in 1998 to review the Group's financial reporting, risk management and internal controls, corporate governance issues and make relevant recommendations to the Board. The Committee has been chaired by an Independent Non-executive Director since 2003 and all Committee members are Independent Non-executive Directors. The Committee includes members with appropriate accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met four times in 2018 (with an attendance rate of 100%) to review, with management and the Company's internal and external auditors, the internal controls and financial matters as set out in the Committee's written terms of reference, and to make relevant recommendations to the Board.

In 2018, the Committee's review covered:

- Internal auditor's audit findings
- External auditor's audit plan for 2018 and audit findings
- The external auditor's independence and provision of non-audit services
- The Group's accounting principles and practices, goodwill assessment, Listing Rules and statutory compliance, connected transactions, risk management and internal controls, and treasury and financial reporting matters (including the interim and annual financial reports for the Board's approval)
- Updates on the changes to the Hong Kong Companies Ordinance, Listing Rules governing capital raising and the Corporate Governance Code, and their respective impacts to the Company
- Emerging risks (particularly US-China Trade War, credit, global tax regime, cyber security, data privacy and protection, anti-corruption, business ethics and supply chain sustainability) facing the Group
- Update on payment status of trade receivable from a related company
- Adequacy of resources, qualifications, training programs and experience of employees of the Group's accounting and financial reporting team and internal audit function, as well as their training programs and budgets

Following international best practices, the Committee conducts annual self-assessment of its effectiveness by completing a detailed audit committee best practice checklist to review its current practices. Based on the latest assessments focusing on reviewing integrity of financial statements, discharge of duties in respect of corporate governance, risk management and internal control systems, code of conduct, corporate culture and compliance, oversight of internal and external audit functions and relationship with external auditor, the Committee believes it is functioning effectively.

## WHISTLEBLOWING ARRANGEMENTS AND INVESTIGATIONS

The Audit Committee also ensures that proper whistleblowing arrangements are in place so that employees can report any concerns, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, in confidence and without fear of recrimination, for a fair and independent investigation and the appropriate follow-up action. Under our Guidelines on Whistleblowing/Reporting of Concerns, employees can report these concerns to either senior management or the Group Chief Compliance and Risk Management Officer.

Any Shareholders or stakeholders, including customers and suppliers, can also report similar concerns by writing in confidence to our Group Chief Compliance and Risk Management Officer. All concerns reported under our whistleblowing guidelines are handled confidentially. We support those who in good faith report genuine concern on potential or actual breaches of the Company's Code of Conduct and Business Ethics (Code) and any possible improprieties in any matters related to the Group. We do not tolerate any kind of retaliation against those who raise genuine concerns or participate in the investigation.

In 2018, no incident of fraud or misconduct was considered to have material effect on the Group's financial statements or overall operations.

[Visit our website to download our Code of Conduct and Business Ethics](#)

## EXTERNAL AUDITOR'S INDEPENDENCE

To further enhance independent reporting by the external auditor, part of our Audit Committee meetings were attended only by the Committee and the external auditor. The Committee also has unrestricted access to the external auditor as necessary.

A policy on the provision of non-audit services by the external auditor has been established since 2004. Under this policy, certain specified non-audit services are prohibited and other non-audit services require prior approval of the Audit Committee if the fee exceeds certain pre-set thresholds. These permitted non-audit services may be engaged only if they are more effective or economical than those available from other service providers and will not constitute adverse impact on the independence of the external auditor. In 2018, the external auditor provided permitted non-audit services mainly in financial reporting and human resources management system enhancements and tax compliance services. The nature and ratio of annual fees to the external auditor for non-audit services and for audit services in 2018 have been scrutinized by the Audit Committee (Refer to details of fees to auditor in Notes 4 and 31(c) to the "Financial Statements" on pages 193 and 227).

The external audit engagement partner is also subject to periodical rotation of not more than seven years. In addition, we have adopted the policy that subject to prior approval by the Audit Committee, no employees or former employees of the external auditor can be appointed as a Director or senior executive of the internal audit or finance division of the Group, within 12 months of his/her employment by the external auditor.

Prior to the commencement of the audit of the 2018 financial statements, the Committee received written confirmation from the external auditor as to its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants.

Members of the Committee have been satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of PricewaterhouseCoopers (PwC) as the Company's external auditor and the Committee has recommended to the Board the reappointment of PwC in 2019 as the Company's external auditor at the forthcoming annual general meeting.

### **Risk Management and Sustainability Committee**

The Risk Management and Sustainability Committee was established in 2001 and is chaired by the Honorary Chairman. Its written terms of reference includes offering recommendations to the Board on the Group's risk management and internal control systems, and reviewing the Group's practices and strategies on corporate responsibility and sustainability. The Committee reports to the Board in conjunction with the Audit Committee.

The Risk Management and Sustainability Committee met four times in 2018 (with an attendance rate of 92%) and reviewed the following:

- Risk management procedures pertinent to the Group's significant operations
- Receivables management, credit risk management, inventory management, goodwill assessment, tax compliance issues, litigation exposures, post-acquisition integration, other operational and financial risk management
- Significant non-compliance, if any, with our policies and our Code as well as corporate responsibility and sustainability commitments

In addition, the Committee specifically discussed the following matters in 2018:

- Update on credit insurance on trade receivables
- Risk mitigation strategy for modern slavery in the supply chain
- Updates on matters related to our corporate responsibility and sustainability initiatives, compliance with our Code of Conduct and Business Ethics and Supplier Code of Conduct and overall supply chain management and partnerships
- Zero-tolerance issues that are violations of the Supplier Code of Conduct and remediation actions
- Revision of the Supplier Code of Conduct to address the UN Guiding Principles on Business and Human Rights and the Ethical Trade Initiative's Base Code with the rollout of the updated Code in 2019

## Remuneration Committee

The Remuneration Committee was formed in 1993 and is chaired by an Independent Non-executive Director. The Committee's responsibilities as set out in its terms of reference include making recommendations to the Board for approval on the remuneration policy for all Directors and senior management, including the granting of Share Options and Award Shares to employees under the Company's share option schemes and Share Award Scheme and determining the remuneration packages of individual Executive Directors and senior management.

The Committee met twice in 2018 (with an 89% attendance rate) to review and determine the Directors' fee for the Three-Year Plan 2017–2019 and the granting of Share Options and Award Shares.

Details of Directors' and senior management's emoluments of the Company are set out in Note 10 to the "Financial Statements" on pages 195 to 196 and Note 40 to the "Financial Statements" on pages 244 to 246.

## REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

The primary goal of the remuneration policy on executive remuneration packages is to enable Li & Fung to motivate its Executive Directors and senior management by linking their compensation to performance with reference to corporate and operating groups' objectives. Under the policy, a Director or a member of senior management is not allowed to approve their own remuneration.

The principal elements of Li & Fung's executive remuneration package include:

- Basic salary
- Bonus
- Share Options and Share Awards granted under long-term incentive schemes, i.e. Share Option Scheme and Share Award Scheme, adopted by the Shareholders

In determining guidelines for each compensation element, the Committee benchmarks the remuneration mix to market surveys. All Executive Directors' and senior management's remuneration packages were approved by the Remuneration Committee at the beginning of the Three-Year Plan 2017–2019.

**Basic Salary**

Li & Fung conducts periodic reviews of the basic salary of all employees (including Executive Directors and senior management) with reference to various factors like remuneration strategy, market pay trends and employee salary levels. The Group also determines the basic salary based on the performance of the Group, business unit and individual employee.

**Bonus**

Li & Fung implements a bonus scheme for each Executive Director and senior management. Under this scheme, the computation of bonus is based on measurable performance contributions and/or performance standards of operating groups headed by the respective Executive Directors and senior management.

**Share Options and Award Shares**

The remuneration Committee recommends for Board approval all grants of Share Options and Share Awards under long-term incentive schemes, i.e. Share Option Scheme and Share Award Scheme. The vesting of Share Options and Share Awards granted under the Share Option Scheme and Share Award Scheme is subject to satisfaction of prescribed criteria for service length. The purpose is to align the interests of eligible employees of the Group through the ownership of Shares, dividends and other distributions paid on Shares and/or increases in the value of Shares, and to encourage and retain eligible employees to make contributions to the long-term growth and profit of the Group.

**REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS**

The remuneration of Non-executive Directors, comprising Directors' fees, is subject to regular assessment with reference to such fees paid by Hang Seng Index constituent stocks and a recommendation by the Remuneration Committee for Shareholders' approval at the annual general meeting.

Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties, including attendance at Company meetings.

**Company Secretary**

The Company Secretary reports to the Group Chairman on Board governance matters and is responsible for ensuring that Board policies and procedures are followed. All Board members have access to her advice and services. She arranges the comprehensive and tailored induction program for new Directors prior to their appointment and provides timely updates to the Directors on relevant new legislation or regulatory requirements. Director training has been organized on a regular basis by the Company Secretary to assist Directors' continuous professional development. In 2018, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge. Biographical details of the Company Secretary are in "Our Board and Management Team" section on page 77.

## Market Recognition

The Group's commitment to excellence and high standards in corporate governance practices continued to earn market recognition from stakeholders, including professional organizations, bankers, analysts and institutional investors.

🔗 Visit our website to read about our awards and recognition.

## Directors' and Relevant Employees' Securities Transactions

The Company has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code. We appreciate that some of our employees may have access to unpublished, price-sensitive information ("Inside Information") in their daily work, as such we have extended such procedures to cover relevant employees who are likely to be in possession of Inside Information of the Group. Relevant employees are also subject to compliance with written guidelines in line with the Model Code. For 2018, specific confirmation of compliance has been obtained from each Director. No incident of non-compliance by Directors and relevant employees was noted in 2018.

## Inside Information Procedures and Internal Controls

With respect to procedures and internal controls for the handling and dissemination of inside information, we have:

- Established a Policy on Inside Information to comply with our obligations under the SFO and the Listing Rules
- Included in our Code a prohibition of unauthorized use of confidential or inside information, including the trading of Company's securities
- Established procedures for responding to external enquiries about the Group's affairs. Designated persons from senior management of the Group and the Investor Relations and Corporate Communication teams are identified and authorized to act as the Company's spokespersons and respond to enquiries related to their allocated issue areas

## Directors' and Senior Management's Interests and Financial Relationship Between Directors

Details of Directors' interests in the Shares of the Company are set out in the "Report of the Directors" section on pages 145 to 147. The Shares held by each member of senior management are less than 2% of the issued share capital for the year ended 31 December 2018.



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### **Directors' Responsibility for Financial Statements and Auditor's Responsibility**

The Directors' responsibility for preparing the financial statements is set out on page 148, and the auditor's reporting responsibility is on pages 151 to 152.

### **Compliance with the Corporate Governance Code**

The Board has reviewed the Company's corporate governance practices and is satisfied that it has been in full compliance with all of the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018.

### **Shareholders' Rights**

The Company strives to provide equal, regular, timely and effective communication and dissemination of material information to Shareholders and other stakeholders. The Company also encourages participation of Shareholders in annual general meetings and other general meetings. The Company sends notice to Shareholders for annual general meetings at least 20 clear business days before the meeting and at least ten clear business days for all other general meetings.

Under the Company's Bye-laws, in addition to annual general meetings, the Board, on the requisition of Shareholders holding not less than 10% of the paid-up capital of the Company, can convene a special general meeting to address specific issues within 21 days from the date of deposit of written notice to the registered office of the Company. The same procedure also applies to any proposal to be tabled at Shareholders' meetings for adoption.

A Shareholder can also propose a person for election as a Director at the general meeting convened to deal with the appointment/ election of Director(s), and he/she must follow the designated procedure. The nomination procedure for nomination of Directors by Shareholders is available on our website.

To further enhance minority Shareholders' rights, since 2003, we have adopted the policy of voting by poll for all resolutions put forward at the annual general meeting or a special general meeting. To ensure Shareholders are familiar with the process, detailed procedures for conducting a poll are explained at the commencement of the general meetings, and all questions from Shareholders on the voting procedures can be answered before commencement of the poll voting. An external scrutineer will be appointed to monitor and count the votes cast by poll. Poll results will be posted on our website and the Stock Exchange's website after each general meeting.

Apart from participating in the Company's general meetings, Shareholders may send their specific enquiries requiring the Board's attention to our Company Secretary. Other general enquiries can be directed through the Company's designated contacts, email addresses and enquiry lines as set out in the "Information for Investors" section on page 132.

🔗 Visit our website to download our Shareholders' Communication Policy. This policy forms the basis for extensive and ongoing engagement with Shareholders and the investment community.

## Changes in Constitutional Documents

There is no significant change in the Company's constitutional documents during the year ended 31 December 2018. The Company's constitutional documents are available on our website.

## Investor Relations

Effective engagement with investors and timely disclosure are key components of good corporate governance. Our Investor Relations team meets frequently with investors and analysts to provide updates on our business. Our senior management team maintains two-way exchanges with investors and attends investment conferences regularly. Our consistent effort has earned us awards from the Hong Kong Investor Relations Association as well as the Corporate Governance Asia Magazine in 2018.

We are committed to complying with disclosure rules and regulations stipulated by the relevant regulatory bodies, including the SFO and Listing Rules in Hong Kong. The Group handles and disseminates inside information in accordance with the 'Guidelines on Disclosure of Inside Information' issued by the Securities and Futures Commission of Hong Kong as well as established internal policy. Members of senior management that are authorized to respond to external enquiries are clearly identified and guided by our Shareholders' Communication Policy. These policies are regularly reviewed by the Board.

To facilitate equal access to information, we have made constitutional documents, financial reports, announcements and circulars readily available on both the website of the Stock Exchange and our corporate website. Furthermore, presentation materials as well as comprehensive information on our company's business model and strategy can be found on our corporate website. Lastly, investors can also elect to receive information by email.



Effective engagement with investors and timely disclosure are key components of good corporate governance.