



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

CORPORATE GOVERNANCE CODE

(Incorporating amendments up to 15 June 2023)

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*N.B. For ease of cross-reference, in so far as practicable or applicable, the format, wordings and paragraph numberings herein correspond to the format, wordings and paragraph numberings in Appendix 14 Corporate Governance Code (the “**Corporate Governance Code**”) of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). Terms used herein shall have the meaning ascribed thereto in the said Listing Rules save where the context otherwise requires.*

CORPORATE GOVERNANCE CODE

A. CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

A.1 Corporate strategy, business model and culture

Principle

An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

Code Provisions

A.1.1 The board of directors (“**Board**”) of Wing On Company International Limited (the “**Company**” together with its subsidiaries, the “**Group**”) shall establish the Company’s purpose, values and strategy, and satisfy itself that these and the Company’s culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

A.1.2 The directors should include a discussion and analysis of the Group’s performance in the annual report, an explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company’s objectives.

A.2 Corporate governance functions

Principle

The board is responsible for performing the corporate governance duties. It may delegate the responsibility to a committee or committees.

Code Provisions

A.2.1 The terms of reference of the Board (or a committee or committees performing this function) should include at least:

- (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirement;

- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

B. BOARD COMPOSITION AND NOMINATION

B.1 Board composition, succession and evaluation

Principle

The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business, and should ensure that the directors devote sufficient time and make contributions to the issuer that are commensurate with their role and board responsibilities. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Code Provisions

- B.1.1 The independent non-executive directors should be identified as such in all corporate communications that disclose the names of directors.
- B.1.2 The Company should maintain on its website and on the Stock Exchange's website an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.
- B.1.3 The Board should review the implementation and effectiveness of the Company's policy on Board diversity on an annual basis.
- B.1.4 The Company should establish mechanism(s) to ensure independent views and input are available to the Board and disclose such mechanism(s) in its corporate governance report. The Board should review the implementation and effectiveness of such mechanism(s) on an annual basis.

B.2 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provisions

B.2.1 Appointment of directors shall be in accordance with Bye-Law 102 as follows:

- (A) The Company may from time to time in general meeting by ordinary resolution elect any person to be a director either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.
- (B) The Board shall have power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board but so that the number of directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any director so appointed shall hold office only until the first annual general meeting of the Company after his or her appointment, and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at such meeting.

B.2.2 Retirement by rotation and re-election of directors shall be in accordance with Bye-Law 99(A) as follows:-

At each annual general meeting one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation provided that no director holding office as Chairman of the Board (the “**Chairman**”) or Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire. In any event, every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring directors shall be eligible for re-election.

B.2.3 Removal of directors shall be in accordance with Bye-Law 104 as follows:

Where not otherwise provided by law, the members in general meeting may by ordinary resolution remove any director (including a Managing Director or other executive director) before the expiration of his or her term of office notwithstanding anything in these Bye-Laws or in any agreement between the Company and such director (but without prejudice to any claim which such director may have for damages for any breach of any contract between him or her and the Company) and may elect another person in his or her stead. Any person so elected shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting.

B.2.4 The Company shall include in its announcement about a director's resignation or removal the reasons given by the director for his/her resignation (including but not limited to information relating to a relevant director's disagreement with the Company, if any, and a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders).

B.2.5 If an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the Board (or the nomination committee of the Company ("**Nomination Committee**")) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board (or the Nomination Committee) in arriving at such determination.

B.2.6 Where all the independent non-executive directors of the Company have served more than nine years on the Board, the Company should:

- (a) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and
- (b) appoint a new independent non-executive director on the Board at the forthcoming annual general meeting.

B.3 Nomination Committee

Principle

In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under B.1 and B.2.

Code Provisions

- B.3.1 The Nomination Committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties:-
- (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
 - (b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
 - (c) assess the independence of independent non-executive directors; and
 - (d) make 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 officer of the Company ("**Chief Executive Officer**").
- B.3.2 The Nomination Committee should make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.
- B.3.3 The Company should provide the Nomination Committee sufficient resources to perform its duties. Where necessary, the Nomination Committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.
- B.3.4 Where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:
- (a) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;
 - (b) if the proposed independent non-executive director will be holding his/her seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board;
 - (c) the perspectives, skills and experience that the individual can bring to the Board; and
 - (d) how the individual contributes to diversity of the Board.

B.3.5 The Nomination Committee (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

C.1 Responsibilities of directors

Principle

Every director must always know their responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Code Provisions

C.1.1 The company secretary of the Company (“**Company Secretary**”) shall provide newly appointed directors of the Company a comprehensive, formal and tailored induction on appointment. Subsequently they should receive any briefing and professional development necessary to ensure that they have a proper understanding of the operations and business of the Company and that they are fully aware of their responsibilities under applicable laws, the Listing Rules, legal and other regulatory requirements and the business and governance policies of the Company.

C.1.2 The functions of non-executive directors shall include:

- (a) participating in Board meetings of the Company to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, remuneration, nomination and other committees of the Board, if invited; and
- (d) scrutinising the Company’s performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

C.1.3 Every director shall ensure that he/she can give sufficient time and attention to the affairs of the Company and ought not accept the appointment if he/she cannot do so.

C.1.4 The Board shall establish written guidelines no less exacting than the requirements set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (“**Model Code**”) for relevant employees in respect of their dealings in the securities of the Company. “Relevant employee” includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

C.1.5 All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of its director.

Note: Directors should provide a record of the training they received to the Company.

C.1.6 Directors should disclose to the Company at the time of their appointments, and in a timely manner of any changes, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The Board should determine for itself how frequently such disclosure should be made.

C.1.7 Independent non-executive directors and other non-executive directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Note: Non-executive directors’ attendance at general meetings is important. An independent non-executive director is often the chairman or a member of Board committees and as such, the individual should be accountable to shareholders by being available to respond to questions and enquiries in relation to their work. Without attending general meetings, the director will not be able to develop a balanced understanding of the views of shareholders.

C.1.8 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the Company’s strategy and policies through independent, constructive and informed comments.

C.1.9 The Company should arrange appropriate insurance cover in respect of legal action against its directors.

C.2 Chairman and Chief Executive Officer

Principle

There are two key aspects of the management of every issuer - the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provisions

C.2.1 The roles of the Chairman and the Chief Executive Officer shall be separate and shall not be performed by the same individual. The division of responsibilities and duties between the Chairman and the Chief Executive Officer are as provided herein below.

Chairman's role

C.2.2 The Chairman shall ensure that all directors are properly briefed on issues arising at Board meetings.

C.2.3 The Chairman shall be responsible for ensuring that directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable. The Chairman may delegate such responsibility to the Company Secretary.

C.2.4 The Chairman shall provide leadership for the Board. The Chairman shall ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting. The Chairman should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The Chairman may delegate this responsibility to the Company Secretary.

C.2.5 The Chairman shall take primary responsibility for ensuring that good corporate governance practices and procedures are established and followed. The Chairman may delegate such responsibility to the Company Secretary.

C.2.6 The Chairman shall encourage all directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company. The Chairman shall encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

- C.2.7 The Chairman shall at least annually hold meetings with the independent non-executive directors without the presence of other directors.
- C.2.8 The Chairman shall ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole. The Chairman may delegate such responsibility to the Company Secretary.
- C.2.9 The Chairman shall promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

Chief Executive Officer's role

- C.2.10 The Chief Executive Officer shall be appointed by the Board on such terms as the Board deems fit and appropriate. The responsibilities of the Chief Executive Officer shall be as follows:
- (a) to provide leadership for the management of the Group;
 - (b) to manage and oversee the business affairs of the Group;
 - (c) to look out for sound investment or business opportunities for the Group;
 - (d) to present annual business budgets of the Group as prepared by the responsible financial officers of the Group;
 - (e) to implement Board policies applicable to the management, operational matters or strategy of the Group;
 - (f) to provide all such information to the Board as is necessary to enable the Board to monitor the performance of the management and the Group; and
 - (g) to discharge such other duties as may be directed by the Board from time to time.

C.3 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.

Code Provisions

C.3.1 When the Board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's power, in particular, where management must report back and obtain prior Board approval before making decisions or entering into any commitments on behalf of the Company.

Note: The Board should not delegate matters to a Board committee, executive directors or management to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions.

C.3.2 The Company shall formalise the functions reserved to the Board and those delegated to management. It shall review those arrangements periodically to ensure that they remain appropriate to the Company's needs. For the time being, the following matters must have the Board's prior approval before the management is to commit on behalf of the Group:

- (a) any capital expenditure in excess of HK\$50 million;
- (b) any disposal or acquisition of property for a value in excess of HK\$50 million;
- (c) any additional investment (on an at cost basis) in quoted or unquoted shares, mutual or other investment funds, debt or equity securities which would bring the Group's total investment exposure in these investment areas to exceed 20% of the Company's net asset value as disclosed in the latest audited financial year end statements;
- (d) any new investment outside the ordinary business activities of the Group in excess of HK\$50 million;
- (e) any matter where conflict of interest of a material nature may arise with any substantial shareholder of the Company or any director; and
- (f) any other matter which, under the Bye-Laws, the Listing Rules or other applicable laws, must require Board approval.

C.3.3 Directors should clearly understand delegation arrangements in place. The Company shall have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

C.4 Board committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

Code Provisions

- C.4.1 Where Board committees are established to deal with matters, the Board shall give them sufficiently clear terms of reference to enable them to perform their functions properly.
- C.4.2 The terms of reference of Board committees shall require them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

C.5 Conduct of Board proceedings and supply of and access to information

Principle

The issuer should ensure directors can participate in board proceedings in a meaningful and effective manner. Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Code Provisions

- C.5.1 The Board shall meet regularly and Board meetings shall be held at least four times a year at approximately quarterly intervals. The Company Secretary shall in December of each year schedule and fix the four regular quarterly Board meetings dates for the following year (in March for the final results of the preceding year, in June for the first quarter business review, in August for the half-year interim results, and in December for the third quarter business review and the Group budget review for the ensuing year) in consultation with all directors in order to ensure the attendance of a majority of the directors, in particular the independent non-executive directors, if not all. It is expected regular Board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. So, a regular Board meeting does not include obtaining Board consent through circulating written resolutions.
- C.5.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular Board meetings. Directors are entitled to include matters in the agenda for regular Board meetings by notifying the Company Secretary of the matters to be included at anytime but preferably 10 days before such regular Board meetings. Directors may still raise such matters, with the Chairman's permission, at the meetings under the any other business item of the agenda.
- C.5.3 Notice of at least 14 days should be given of a regular Board meeting to give all directors an opportunity to attend. For all other Board meetings, reasonable notice should be given.

- C.5.4 Minutes of Board meetings and meetings of Board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.
- C.5.5 Minutes of Board meetings and meetings of Board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the Board meeting is held.
- C.5.6 Any director, upon reasonable request, may seek separate independent professional advice in appropriate circumstances, at the Company's expense in order for the director concerned to discharge his/her duties to the Company, provided that the following procedures are followed:
- (a) the director concerned shall make such request to the Chairman and giving the reasons for such a request;
 - (b) the Chairman shall as soon as practicable after receiving such a request convene an ad hoc committee meeting with at least one independent non-executive director to decide on the request;
 - (c) if the ad hoc committee decides to accede to such request, then the Chairman shall forthwith direct the Company Secretary to engage such independent professional at the Company's expense to advise the director concerned. The Chairman shall also inform all directors of the ad hoc committee's decision; and
 - (d) if the ad hoc committee refuses such request, then the director concerned may call a Board meeting to review the ad hoc committee's decision and to rule on the request. The Board's decision shall be final and binding.
- C.5.7 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical Board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction shall be present at that Board meeting.

In accordance with Bye-Law 98(H), a director shall not vote (nor shall he or she be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or she or any of his or her close associate(s) has/have a material interest, and if he or she shall do so his or her vote shall not be counted (nor shall he or she be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:-

- (i) the giving of any security or indemnity either:-
 - (a) to the director or his or her close associate(s) in respect of money lent or obligations incurred or undertaken by him or her or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the director or his or her close associate(s) has himself/ herself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the director or his or her close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) [deleted]
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the director or his or her close associate(s) may benefit; or
 - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the directors, his or her close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any director, or his or her close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the director or his or her close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/ her/ their interest in shares or debentures or other securities of the Company.

C.5.8 For regular Board meetings, an agenda and accompanying Board papers shall be sent, in full, to all directors in a timely manner and at least seven days before the intended date of a Board or Board committee meeting. For other non-regular or ad hoc Board meetings, an agenda and accompanying Board papers shall be sent as soon as possible to all directors once such meeting has been called.

- C.5.9 Management has an obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfil their duties properly, directors may not, in all circumstances, be able to rely purely on information provided voluntarily by management and they need to make further enquiries. Where any director requires more information than is supplied by management, that director shall make further enquiries where necessary. The Board and each director is entitled to have separate and independent access to the Company's senior management.
- C.5.10 All directors are entitled to have access to Board papers and related materials. These papers and related materials shall be in a form and quality sufficient to enable the Board to make informed decision on matters placed before it. Queries raised by directors should receive a prompt and full response, if possible.

C.6 Company Secretary

Principle

The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive officer on governance matters and should also facilitate induction and professional development of directors.

Code Provisions

- C.6.1 The Company Secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. Where the Company engages an external service provider as its Company Secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the Company whom the external provider can contact.
- C.6.2 The Board should approve the selection, appointment or dismissal of the Company Secretary.
- Note: A Board meeting should be held to discuss the appointment and dismissal of the Company Secretary and the matter should be dealt with by a physical Board meeting rather than a written resolution.*
- C.6.3 The Company Secretary should report to the Chairman of the Board and/or the Chief Executive Officer.
- C.6.4 All directors should have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

D.1 Financial reporting

Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code Provisions

D.1.1 Management shall provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval.

D.1.2 Management shall provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Note: The information provided may include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements such as monthly management accounts and management updates. For budgets, any material variance between the projections and actual results should also be disclosed and explained.

D.1.3 The directors shall acknowledge in the corporate governance report their responsibility for preparing the accounts. There shall be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the Company will continue in business, the directors shall prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, they shall be clearly and prominently disclosed and discussed at length in the corporate governance report. The corporate governance report shall contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the Company may refer to other parts of the annual report. These references shall be clear and unambiguous, and the corporate governance report shall not contain only a cross-reference without any discussion of the matter.

- D.1.4 The directors should include in the separate statement containing a discussion and analysis of the Group’s performance in the annual report, an explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company’s objectives.
- D.1.5 The Board should present a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.

D.2 Risk management and internal control

Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer’s strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to environmental, social and governance (“ESG”) (please refer to the ESG Reporting Guide in Appendix 27 to the Listing Rules for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

Code Provisions

- D.2.1 The Board should oversee the Company’s risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the Company’s and its subsidiaries’ risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its corporate governance report. The review should cover all material controls, including financial, operational and compliance controls.
- D.2.2 The Board’s annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting, internal audit, financial reporting functions, as well as those relating to the Company’s ESG performance and reporting.
- D.2.3 The Board’s annual review should, in particular, consider:
- (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the Company’s ability to respond to changes in its business and the external environment;
 - (b) the scope and quality of management’s ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;

- (c) the extent and frequency of communication of monitoring results to the Board (or Board committee(s)) which enables it to assess control of the Company and the effectiveness of risk management;
- (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
- (e) the effectiveness of the Company's processes for financial reporting and Listing Rules compliance.

D.2.4 The Company should disclose, in the corporate governance report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, the Company should disclose:

- (a) the process used to identify, evaluate and manage significant risks;
- (b) the main features of the risk management and internal control systems;
- (c) an acknowledgement by the Board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;
- (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and
- (e) the procedures and internal controls for the handling and dissemination of inside information.

D.2.5 The Company shall have an internal audit function. Companies without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the corporate governance report.

Note: An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems.

- D.2.6 The Company shall establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the audit committee of the Company (“**Audit Committee**”) (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the Company.
- D.2.7 The Company shall establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.

D.3 Audit Committee

Principle

The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer’s auditors. The audit committee established under the Listing Rules should have clear terms of reference.

Code Provisions

- D.3.1 Full minutes of Audit Committee meetings shall be kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comments and records, within a reasonable time after the meeting.
- D.3.2 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Company’s Audit Committee for a period of two years from the date of his/her ceasing:
- (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,
- whichever is later.
- D.3.3 The Audit Committee’s terms of reference shall include at least:-

Relationship with the Company’s external auditor

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

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

Review of financial information of the Company

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

Oversight of the Company's financial reporting system, risk management and internal control systems

- (f) to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;

Others

- (m) to report to the Board on matters in this Code Provision D.3.3; and
 - (n) to consider other topics, as defined by the Board.
- D.3.4 The Audit Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.
- D.3.5 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in the corporate governance report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- D.3.6 The Audit Committee shall be provided with sufficient resources to perform its duties.

D.3.7 The terms of reference of the Audit Committee should also require it:

- (a) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (b) to act as the key representative body for overseeing the Company's relations with the external auditor.

E. REMUNERATION

E.1 The level and make-up of remuneration and disclosure

Principle

An issuer should have a formal and transparent policy on directors' remuneration and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully, without paying more than necessary. No director should be involved in deciding that director's own remuneration.

Code Provisions

E.1.1 The remuneration committee of the Company ("**Remuneration Committee**") shall consult the Chairman and/or Chief Executive Officer about their remuneration proposals for other executive directors. The Remuneration Committee should have access to independent professional advice if necessary.

E.1.2 The terms of reference of the Remuneration Committee are as follows:

- (a) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (d) to make recommendations to the Board of the remuneration of non-executive directors;
- (e) to consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- (f) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (g) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and that is otherwise fair and not excessive;
- (h) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (i) to ensure that no director or any of their associates is involved in deciding that director's own remuneration.

E.1.3 The Remuneration Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.

E.1.4 The Remuneration Committee will be provided with sufficient resources to perform its duties and have access to independent professional advice if necessary.

E.1.5 The Company shall disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in its annual report.

F. SHAREHOLDERS ENGAGEMENT

F.1 Effective communication

Principle

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

Code Provisions

- F.1.1 The Company should have a policy on payment of dividends and should disclose it in the annual report.

F.2 Shareholders meetings

Principle

The issuer should ensure that shareholders are given sufficient notice of shareholders meetings and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

Code Provisions

- F.2.1 For each substantially separate issue at a general meeting, a separate resolution shall be proposed by the chairman of that meeting. The Company should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the Company should explain the reasons and material implications in the notice of meeting.

Note: An example of a substantially separate issue is the nomination of persons as directors. Accordingly, each person should be nominated by means of a separate resolution.

- F.2.2 The Chairman shall attend the annual general meeting. The Chairman should also invite the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and any other committees (as appropriate) to attend. In their absence, the Chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent Board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders’ approval. The Company’s management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor independence.
- F.2.3 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

CORPORATE GOVERNANCE REPORT MANDATORY DISCLOSURE REQUIREMENTS

To provide transparency, the Company must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible.

G. CORPORATE GOVERNANCE PRACTICES

- (a) a narrative statement explaining how the Company has applied the Principles to enable shareholders' evaluation of such application;
- (b) a statement as to whether the Company has complied with the Code Provisions; and
- (c) for any deviation from the Code Provisions (including adoption of any alternatives other than the Code Provisions), details of the deviation during the financial year (including the Considered Reasons and Explanation).

H. BOARD OF DIRECTORS

- (a) composition of the Board, by category of directors, including name of Chairman, executive directors, non-executive directors and independent non-executive directors;
- (b) number of Board meetings held during the financial year;
- (c) attendance of each director, by name, at the Board and general meetings;

Note: If a director is appointed part way during a financial year, the attendance of such director should be stated by reference to the number of Board meetings held during the director's tenure.

- (d) for each named director, the number of Board or committee meetings attended by the director, and, separately the number of Board or committee meetings attended by the alternate of the director. Attendance at Board or committee meetings by an alternate director should not be counted as attendance by the director;
- (e) a statement of the respective responsibilities, accountabilities and contributions of the Board and management. In particular, a statement of how the Board operates, including a high-level statement on the types of decisions taken by the Board and those delegated to management;

- (f) details of non-compliance (if any) with Rules 3.10(1) and (2), and 3.10A of the Listing Rules and an explanation of the remedial steps taken to address non-compliance. This should cover non-compliance with appointment of a sufficient number of independent non-executive directors and appointment of an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise;
- (g) reasons why the Company considers an independent non-executive director to be independent where such director fails to meet one or more of the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules;
- (h) relationship (including financial, business, family or other material/relevant relationship(s)), if any, between Board members and in particular, between the Chairman and the Chief Executive Officer; and
- (i) how each director, by name, complied with Code Provision C.1.5.

I. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The identity of the Chairman and Chief Executive Officer.

J. NON-EXECUTIVE DIRECTORS

The terms of appointment of non-executive directors.

K. BOARD COMMITTEES

The following information for each of the Audit Committee, Remuneration Committee, Nomination Committee, risk committee (if any), and corporate governance functions:

- (a) the roles and function of the committee;
- (b) the composition of the committee and whether it comprises independent non-executive directors, non-executive directors and executive directors (including their names and identifying the chairman of the committee);
- (c) the number of meetings held by the committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and

- (d) a summary of the work during the year, including:
 - (i) for the Audit Committee, a report on how it met its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results, and unless expressly addressed by a separate risk committee, or the Board itself, its review of the risk management and internal control systems, the effectiveness of the Company's internal audit function, and its other duties under the Corporate Governance Code. Details of non-compliance with Rule 3.21 of the Listing Rules (if any) and an explanation of the remedial steps taken by the Company to address non-compliance with establishment of an Audit Committee;
 - (ii) for the Remuneration Committee, determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the Remuneration Committee. Disclose which of the two models of the Remuneration Committee described in Code Provision E.1.2(c) was adopted;
 - (iii) for the Nomination Committee, disclosing the policy for the nomination of directors during the year. This includes the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year;
 - (iv) for the risk committee (if any), a report on how it met its responsibilities in its review of the risk management and internal control systems and the effectiveness of the Company's internal audit function; and
 - (v) for corporate governance, determining the policy for the corporate governance of the Company, and duties performed by the Board or the committee(s) under Code Provision A.2.1.

L. COMPANY SECRETARY

- (a) Where the Company engages an external service provider as its Company Secretary, its primary corporate contact person at the Company (including such person's name and position); and
- (b) details of non-compliance with Rule 3.29 of the Listing Rules.

M. DIRECTORS' SECURITIES TRANSACTIONS

For the Model Code set out in Appendix 10 to the Listing Rules:

- (a) whether the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code;

- (b) having made specific enquiry of all directors, whether the directors of the Company have complied with, or whether there has been any non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions; and
- (c) for any non-compliance with the required standard set out in the Model Code, if any, details of these and an explanation of the remedial steps taken by the Company to address them.

N. RISK MANAGEMENT AND INTERNAL CONTROL

If the Company reports in the corporate governance report that it has conducted a review of the effectiveness of its risk management and internal control systems under Code Provision D.2.1, it must disclose the following:

- (a) whether the Company has an internal audit function;
- (b) how often the risk management and internal control systems are reviewed and the period covered; and
- (c) whether the Company considers its risk management and internal control systems effective and adequate.

O. AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

An analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the Company. The analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

P. DIVERSITY

- (a) The Company's policy on Board diversity or a summary of the policy, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives;
- (b) disclose and explain:
 - (i) how and when gender diversity will be achieved in respect of the Board;
 - (ii) the numerical targets and timelines set for achieving gender diversity on its Board; and
 - (iii) what measures the Company has adopted to develop a pipeline of potential successors to the Board to achieve gender diversity.

- (c) disclose and explain the gender ratio in the workforce (including senior management), any plans or measurable objectives the Company has set for achieving gender diversity and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Note: In the Corporate Governance Code of the Listing Rules, “senior management” refers to the same persons referred to in the Company’s annual report and required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules.

Q. SHAREHOLDERS’ RIGHTS

- (a) how shareholders can convene an extraordinary general meeting;
- (b) the procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquiries to be properly directed; and
- (c) the procedures and sufficient contact details for putting forward proposals at shareholders’ meetings.

R. INVESTOR RELATIONS

- (a) any significant changes in the Company’s constitutional documents during the year;
- (b) the Company’s shareholders’ communication policy (or its summary), which should include channels for shareholders to communicate their views on various matters affecting the Company, as well as steps taken to solicit and understand the views of shareholders and stakeholders; and
- (c) a statement of the Company’s review of the implementation and effectiveness of the shareholders’ communication policy conducted during the year (including how it arrives at the conclusion).

- End -