



## FIRST PACIFIC COMPANY LIMITED

### 第一太平有限公司

*(Incorporated with limited liability under the laws of Bermuda)*

Website: [www.firstpacific.com](http://www.firstpacific.com)

(Stock Code: 00142)

## CODE ON CORPORATE GOVERNANCE PRACTICES (INTERNAL GUIDELINES)

### PREFACE

This Code on Corporate Governance Practices (“**First Pacific Code**”) is our own code on corporate governance which sets out the principles of good corporate governance, the code provisions on a “comply or explain” basis and certain recommended best practices in the Corporate Governance Code set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Exchange**”) (the “**Listing Rules**”). Any exception(s) to the First Pacific Code is/are explained in our annual reports.

The First Pacific Code is reviewed periodically and updated as and when required to ensure our current corporate governance practices and standards are in line with international and local corporate governance best practices.

### A. CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

#### A.1 Corporate strategy, business model and culture

##### Principle

First Pacific Company Limited (“**First Pacific**” or the “**Company**”) shall be headed by an effective board which shall assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors shall take decisions objectively in the best interests of the Company.

- A.1.1** The board has established the Company’s purpose, values and strategy, and satisfied 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 organization values of acting lawfully, ethically and responsibly.

- A.1.2** The directors shall 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.

The Company shall have a corporate strategy and a long-term business model. Long term financial performance as opposed to short term rewards should be a corporate governance objective. The Company's board shall not take undue risks to make short term gains at the expense of long-term 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.

- A.2.1** The Company has established a corporate governance committee which is comprised of a majority of independent non-executive directors. It shall meet at least twice a year.

- A.2.2** Full minutes of the corporate governance committee meetings are kept by a duly appointed secretary of the meeting (who shall normally be the company secretary). Draft and final versions of minutes of the meetings shall be sent to all committee members for their comment and records, within a reasonable time after the meeting.

- A.2.3** The terms of reference of the corporate governance committee shall include the following:–

- (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 requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the directors and employees of the Company; and
- (e) to review the Company's compliance with the Corporate Governance Code (Appendix C1 to the Listing Rules) and disclosure in the Corporate Governance Report.

## **B. BOARD COMPOSITION AND NOMINATION**

### **B.1 Board composition, succession and evaluation**

#### **Principle**

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

- B.1.1** The minimum number of directors of the Company shall not be less than three (3) and the maximum number of Directors shall not be more than eighteen (18), or any other such number as the board may determine, from time to time.
- B.1.2** The board consists of a chairman, managing director and chief executive officer, executive directors, non-executive directors and independent non-executive directors or such other designation as the board may determine, from time to time.
- B.1.3** The independent non-executive directors are identified in all corporate communications that disclose the names of directors.
- B.1.4** The Company shall maintain on its website and on the Exchange's website an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.
- B.1.5** The board shall review the implementation and effectiveness of the Board Diversity Policy on an annual basis.
- B.1.6** The Company has established 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 shall review the implementation and effectiveness of such mechanism(s) on an annual basis.

**B.1.7** The Company shall conduct a formal evaluation of the board's performance at least every two (2) years. The Company shall confirm in the Corporate Governance Report so or if not, when the next board performance review will be conducted. If a board performance review was conducted during the reporting period, the Company shall disclose in the Corporate Governance Report:

- (a) whether the board performance review was conducted internally or by an external provider;
- (b) how the board performance review was conducted, including the scope of the review and the responsible department(s)/committee(s)/external provider(s) involved in conducting the review;
- (c) the connection (if any) between any external provider involved in the board performance review and the Company or any of its directors;
- (d) details on the findings of the board performance review, including significant areas of improvement (if identified during the board performance review), and measures taken or planned as a result of the board performance review.

**B.1.8** The Company shall maintain and disclose in the Corporate Governance Report a board skills matrix setting out information including:

- (a) details of the mix of skills that the board currently has;
- (b) an explanation of how the combination of skills, experience and diversity of the directors serves the Company's purpose, values, strategy and desired culture; and
- (c) (where applicable) details of any further skills that the board is looking to acquire, its plans to acquire such further skills, and how the plans made in the previous year(s) were achieved or progressed in the reporting year.

## **B.2 Appointments, re-election and removal**

### **Principle**

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

- B.2.1** The appointment of a new director is a matter for consideration by the Nomination Committee and a decision by the full board, having regard to the Board Diversity Policy.
- B.2.2** Directors shall ensure that they can give sufficient time and attention to the Company's affairs and shall not accept the appointment if they cannot do so.
- B.2.3** All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three (3) years.
- B.2.4** The names and biographical details (including other directorships held in listed public companies and other major appointments) of the directors who offer themselves for election or re-election at the next general meeting are contained in the notice of the general meeting to assist shareholders to make an informed decision on their election.
- B.2.5** [To be repealed after 30 June 2031] If an independent non-executive director has served more than nine (9) years, such director's further appointment shall be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution shall state why the board (or the 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** [To be repealed after 30 June 2028] Where all the independent non-executive directors of the Company have served more than nine (9) years on the board, the Company shall:
  - (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 shall give adequate consideration to the Principles under B.1 and B.2 of the First Pacific Code.

**B.3.1** The Company has established a nomination committee which is comprised of a majority of independent non-executive directors and chaired by the chairman of the board or an independent non-executive director.

**B.3.2** The nomination committee is established with specific written terms of reference which deal clearly with its authority and duties. It shall perform the following duties:

- (a) to review the structure, size and composition (including the skills, knowledge, experience, length of service, age, gender, cultural and educational background and ethnicity) of the board at least annually, to oversee that the board maintains a board skills matrix, and to make recommendations on any proposed changes to the board to complement the Company's corporate strategy, having regard to the Board Diversity Policy;
- (b) to identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships, having regard to the Board Diversity Policy;
- (c) to assess the independence of independent non-executive directors;
- (d) to make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer, having regard to the Board Diversity Policy; and
- (e) to support the Company's regular evaluation of the board's performance.

**B.3.3** The nomination 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 Exchange's website and the Company's website.

**B.3.4** The Company shall provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee shall seek independent professional advice, at the Company's expense, to perform its responsibilities.

**B.3.5** Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it shall 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) [To be repealed after 30 June 2028] if the proposed independent non-executive director will be holding their seventh (or more) directorship of a listed issuer on the Main Board or GEM, 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.3.6** The Company shall appoint at least one director of a different gender to the nomination committee.

## **C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS**

### **C.1 Responsibilities of directors**

#### **Principle**

Every director must understand, and, at all times, be aware of their responsibilities as a director of the Company 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. To ensure directors' contribution to the board remains informed and relevant, all directors shall participate the Company's continuous professional development program to develop and refresh their knowledge and skills for a proper understanding of the Company's business, operations and governance policies and full awareness of their responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements. Records of such continuous professional development of directors should be kept the Company.

**C.1.1** The Company shall be responsible for arranging and (where necessary) funding:

- (a) a comprehensive, formal and tailored induction for newly appointed directors upon appointment; and
- (b) suitable continuous professional development for all directors.

**C.1.2** All directors shall receive guidelines in relation to inside information and dealings in the Company's securities. In addition, all directors shall be provided with appropriate briefings on the Company's affairs and relevant up-to-date corporate governance materials published by relevant bodies, in a timely manner.

**C.1.3** All non-executive directors are independent of management. The functions of non-executive directors include:

- (a) participating in board meetings to bring an independent judgment 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, risk management, remuneration, nomination, corporate governance and other board committees, if invited;
- (d) giving 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;
- (e) attending general meetings and developing a balanced understanding of the views of shareholders;
- (f) bringing a wide range of business and financial experience to the board which contributes to the effective direction of the Company;
- (g) positively contributing to the development of the Company's strategy and policies; and
- (h) scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

**C.1.4** All directors and relevant employees of the Company must comply with the Company's written guidelines governing the directors and relevant employees' dealings in the Company's securities, which are no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules. "Relevant employee" includes any employee or a director or employee of a subsidiary or holding company who, because of such offices or employments, is likely to possess unpublished inside information in relation to the Company or its securities.



- C.1.5** Directors shall disclose to the Company at the time of their appointments, and in a timely manner for any changes, the number and nature of offices held in public companies or organizations (both in Hong Kong and overseas) and other significant external time commitments. The identity of the public companies or organizations and an indication of the time involved shall also be disclosed, preferably on an annual basis.
- C.1.6** Independent non-executive directors and other non-executive directors, as equal board members, shall 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. They shall also attend general meetings to gain and develop a balanced understanding of the views of shareholders.
- C.1.7** Independent non-executive directors and other non-executive directors shall make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.
- C.1.8** The Company shall maintain a Directors' and Officers' Liability Insurance cover in respect of legal action against its directors and senior executives, the terms of which shall be reviewed by the board annually.

**C.2 Chairman and Chief Executive Officer**

**Principle**

There are two key aspects of the management of the Company – the management of the board and the day-to-day management of business. There shall 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.

- C.2.1** The roles of chairman and chief executive officer are separate and are not performed by the same individual, in order to ensure a clear distinction between the chairman's responsibility to manage the board and the chief executive officer's responsibility to manage the Company's business. The division of responsibilities between the chairman and chief executive officer is clearly established to ensure a balance of power and authority, which is set out in writing.

**C.2.2** The responsibilities of the chairman include:

- (a) to ensure that all directors are properly briefed on issues arising at board meetings;
- (b) to ensure that all directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- (c) to provide leadership for the board;
- (d) to 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;
- (e) to delegate to the company secretary the responsibility of drawing up, settling and approving the agenda for each board meeting, after taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda;
- (f) to take primary responsibility for ensuring that good corporate governance practices and procedures are established;
- (g) to encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the Company. The chairman shall encourage directors with different views to voice their concerns, and to allow sufficient time for discussion of issues and to ensure that board decisions fairly reflect board consensus;
- (h) to hold meetings at least annually with the independent non-executive directors without the presence of other directors;
- (i) to ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole; and
- (j) to 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.

**C.2.3** The chairman has a casting vote in the event of an equality of votes on any matter to be decided by the board.

**C.2.4** The chief executive officer is appointed by the board and in the Company's case, the responsibilities of the chief executive officer, who is also the Managing Director of the Company, include:

- (a) to provide leadership for management;
- (b) to implement and report to the board on the Company's strategy, policies, processes and codes of conducts;
- (c) to oversee the realization by the Company of the objectives set by the board;
- (d) to provide adequate information to the board as is necessary to enable the board to monitor the performance of management;
- (e) to lead the management of the Company's relationships with its stakeholders;
- (f) to put in place programs for management development and succession;
- (g) to develop business plans, budgets and strategies for the Company for consideration by the board and, to the extent approved by the board, implementing these plans, budgets and strategies;
- (h) to operate the Company's business within the parameters set by the board from time to time, and keeping the board informed of material developments in the Company's business;
- (i) where proposed transactions, commitments or arrangements exceed the parameters set by the board, to refer the matter to the board for its consideration and approval;
- (j) to identify and manage operational and other risks and, where those risks could have a material impact on the Company's business, to formulate strategies for managing these risks for consideration by the board;
- (k) to manage the Company's current financial and other reporting mechanisms and control and to monitor systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and will be functioning effectively;
- (l) to ensure that the board is provided with sufficient information on a timely basis in regard to the Company's businesses, and in particular, with respect to the Company's performance, financial condition, operating results and prospects, to position the board to fulfill its governance responsibilities;

- (m) to implement policies, processes and procedures for the management and development of the Company's employees;
- (n) with the chief financial officer of the Company, to establish and maintain proper risk management and internal control mechanism as well as disclosure controls and procedures; and
- (o) to perform such duties and authority as may be delegated in writing to the chief executive officer by the board.

### **C.3 Management functions**

#### **Principle**

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

- 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 powers, in particular, where management shall report back and obtain prior board approval before making decisions or entering into any commitments on the Company's behalf.

The board shall 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 formalize 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.

The crucial decisions which must be taken at the board level or at the board committee level and cannot be delegated to management include remuneration and selection of auditors, approval of interim and final financial statements, significant changes to accounting policies, board appointments and removals, directors' remuneration policy, major business acquisitions or disposals, approval of investment projects which are required to be disclosed pursuant to the Listing Rules (being 5% or more under the relevant percentage ratios as defined under the Listing Rules), terms of reference of board committees, appointment to board committees, approval of overall corporate strategy and direction, terms and appointment of top executives, the selection, appointment and dismissal of the company secretary, fundamental changes to pension scheme rules, main treasury policies such as debt/equity mix, major borrowings, currency exposure, corporate risk management and major changes to corporate control systems.

**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.

**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 Company shall ensure directors can participate in board proceedings in a meaningful and effective manner. Directors shall 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.

**C.5.1** The board shall meet regularly, at least quarterly with four (4) regular board meetings, which shall normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. Obtaining board consent through circulating written resolutions shall not be regarded as a regular board meeting.

**C.5.2** All directors are given the opportunity to include matters in the agenda for regular board meetings. Other than in exceptional circumstances, the company secretary shall send a draft agenda to the directors at least fourteen (14) days before the intended date of a board meeting (or such other period as the board may agree) asking for their comments and for matters to be included in the agenda.

**C.5.3** Notice of a regular board meeting shall be sent to all directors at least fourteen (14) days before the meeting date to give all directors an opportunity to attend. For all other board meetings, reasonable notice shall be given (except under emergency situation).

- C.5.4** A full agenda and accompanying board papers shall be circulated to all directors usually seven (7) days, and in any event not less than three (3) days, in advance of each board meeting, except under emergency situation.
- C.5.5** The company secretary shall ensure that the directors are informed of the status of matters arising from discussions at previous meetings of the board.
- C.5.6** All directors shall be provided, in a timely manner, with information in a form and of a quality appropriate to enable them to perform their duties and responsibilities. In particular, all directors are entitled to access to board papers and related materials from the company secretary in a timely manner.
- C.5.7** Management is responsible for providing the board and its committees with adequate information which is complete and reliable, in a timely manner, to enable it to make informed decisions. Where any director requires more information than is provided by management, that director shall make further inquiries, to which management must respond quickly and effectively. Each director shall have separate and independent access to the Company's senior management.
- C.5.8** All directors are entitled to have free access to the advice and services of the company secretary and the Company Secretarial Department with a view to ensuring that board procedures are followed, and that applicable laws, rules and regulations, are complied with (especially obligations on directors relating to disclosure of interests in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibitions on dealing in securities and restrictions on disclosure of inside information) and on any matter relating to the application and implementation of the First Pacific Code.
- C.5.9** Minutes of board meetings and meetings of board committees are kept by the company secretary (or by a duly appointed secretary of the meeting) and are available for inspection by any director during office hours.
- C.5.10** Minutes of board meetings and meetings of the board committees shall be recorded 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 shall be sent to all directors for their comment and records respectively, within a reasonable time after the board meetings and meetings of the board committees are held.
- C.5.11** The board shall enable its directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense, in order to assist them in performing their duties to the Company.

**C.5.12** 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. The interested directors shall abstain from voting on any board resolution in which they or any of their close associates have a material interest and that they shall not be counted in the quorum present at that board meeting. A majority of the independent non-executive directors who, and whose close associates, have no material interest in the transaction shall be present at that board meeting. A director's attendance by electronic means, including telephonic or videoconferencing, shall be counted as attendance at a physical board meeting.

## **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 chief executive officer on governance matters and shall also facilitate induction and professional development of directors.

**C.6.1** The company secretary is an employee of the Company and has day-to-day knowledge of the Company's affairs. Where the Company engages an external service provider as its company secretary, it shall 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 shall approve the selection, appointment or dismissal of the company secretary. A board meeting shall be held to discuss the appointment and dismissal of the company secretary and the matter shall be dealt with by a physical board meeting rather than a written resolution.

**C.6.3** The company secretary shall report to the board chairman and/or the chief executive officer.

**C.6.4** All directors shall have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, shall be followed.

## **D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT**

### **D.1 Financial reporting**

#### **Principle**

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

**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 financial and operating 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.

The information provided shall (where applicable) include monthly management accounts and management updates, 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. For budgets, any material variance between the projections and actual results shall 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 will 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 board shall present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It shall 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 Company's strategic objectives. Such risks would include, amongst others, material risks relating to environmental, social and governance (“**ESG**”) (please refer to the ESG Reporting Code in Appendix C2 to the Listing Rules).

The board is responsible for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems for the purpose of dealing with identified risks, safeguarding the Company's assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of the Company's financial reports and achieving compliance with the applicable laws and regulations. The board shall oversee management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis. The board is also responsible for ensuring that the effectiveness of the Company's and its subsidiaries' risk management and internal control systems is reviewed at least annually, and management shall provide a confirmation to the board on the effectiveness of these systems.

**D.2.1** The Audit and Risk Management Committee (the “**ARMC**”), as assisted by the Company's Risk Assessment Committee, discharges the board's duty to ensure the review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems, which shall be conducted at least annually, is adequately resourced. The scope of the review shall cover all material controls, including financial, operational and compliance controls, and shall, 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)) for the purposes of assessing the adequacy and the effectiveness of the Company's risk management and internal control systems;

- (d) significant control failings or weaknesses identified during the review of the risk management and internal control systems, and 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 any remedial measures taken to address such control failings or weaknesses;
- (e) the effectiveness of the Company's processes for financial reporting and Listing Rule compliance; and
- (f) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programs and budget of the Company's accounting, internal audit, and financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

The Company shall refer to the guidance issued by the Exchange on the Exchange's website, as amended from time to time, on the scope of the review of the risk management and internal control systems.

- D.2.2** The Company does not have an internal audit department. However, the Group has multiple listed issuers, each of which has its own internal audit and/or risk management functions to monitor the internal control system for operational, financial and compliance and risk management functions. Accordingly, the Company can rely on group resources to carry out internal audit/risk management functions for members of the Group. The Company shall review the need for one on an annual basis and shall disclose the outcome of this review in the Corporate Governance Report.
- D.2.3** The Company has established 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 ARMC about possible improprieties in any matter related to the Company.
- D.2.4** The Company has established policies and systems that promote and support anti-corruption laws and regulations.

## **D.3 Audit Committee**

### **Principle**

The board shall 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 Company's auditors. The audit committee established under the Listing Rules shall have clear terms of reference.

**D.3.1** The Company has established an ARMC which is comprised entirely of non-executive directors and chaired by an independent non-executive director. Chairman of the ARMC has the appropriate professional qualification and experience in financial matters. It shall meet at least twice a year.

**D.3.2** Full minutes of the ARMC meetings are kept by a duly appointed secretary of the meeting (who shall normally be the company secretary). Draft and final versions of minutes of the meetings shall be sent to all committee members for their comment and records, within a reasonable time after the meeting.

**D.3.3** A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of its ARMC for a period of two (2) years from the date of that person ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is later.

**D.3.4** The ARMC's terms of reference shall include at least:–

#### *Relationship with the Company's auditors*

- (a) to be primarily responsible for making recommendations to the board on the appointment, reappointment 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 ARMC shall discuss with the 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 ARMC shall report to the board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body for overseeing the Company’s relationship with the external auditor;

*Review of the Company’s financial information*

- (e) to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the board, the ARMC 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 legal requirements in relation to financial reporting;
- (f) Regarding (e) above:
  - (i) members of the ARMC shall liaise with the board and senior management and the ARMC must meet, at least twice a year, with the Company’s auditors; and
  - (ii) the ARMC shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it shall 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 auditors;

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

- (g) to review the Company's financial controls, risk management and internal control systems;
- (h) 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 shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (i) 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;
- (j) 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;
- (k) to review the group's financial and accounting policies and practices;
- (l) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (m) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the board on the matters in this code provision; and
- (o) to consider other topics, as defined by the board;

*Oversight of the Company's arrangements on financial investigation*

- (p) to review arrangements and systems (such as the establishment of a whistleblowing policy) whereby employees of the Company and those who deal with the Company (e. g. customers and suppliers) can use, in confidence, to raise concerns with the ARMC about possible improprieties in financial reporting, risk management and internal control or any other matters relating to the Company. The ARMC shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

- D.3.5** The ARMC shall make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the Company's website.
- D.3.6** Where the board disagrees with the ARMC'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 ARMC explaining its recommendation and also the reason(s) why the board has taken a different view.
- D.3.7** The ARMC shall be provided with sufficient resources to perform its duties. The ARMC is authorized to seek information from any employee, director, agent or advisor, and to seek external independent professional advice at the Company's expenses, if considered necessary.

## **E. REMUNERATION**

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

#### **Principle**

The Company shall 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 shall be formal and transparent. Remuneration levels shall be sufficient to attract and retain directors to run the Company successfully, without paying more than necessary. No director shall be involved in deciding that director's own remuneration.

- E.1.1** The Company has established a remuneration committee which is comprised of a majority of independent non-executive directors and chaired by an independent non-executive director.
- E.1.2** The remuneration committee shall consult the chairman and/or chief executive officer about their remuneration proposals for other executive directors. The remuneration committee shall have access to independent professional advice, if necessary.
- E.1.3** The remuneration committee's terms of reference shall include, as a minimum:–
- (a) to make recommendations to the board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
  - (b) to review and approve management's remuneration proposals with reference to the board's corporate goals and objectives;

- (c) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management, which will include 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 on the remuneration of the non-executive directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (f) 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 is otherwise fair and not excessive;
- (g) 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;
- (h) to ensure that no director or any of their associates is involved in deciding that directors' own remuneration;
- (i) to administer and oversee the Company's share option scheme (the "**Scheme**") in accordance with the terms and conditions of the Scheme, including the granting of options to the Company's directors and senior managements under the Scheme and the exercise of options by them thereunder (including, but not limited to, number of options, exercise price, option period, minimum period which must be held before the options can be exercised and performance targets which must be met before the options can be exercised), and/or to administer and oversee any other share incentive schemes or other equity based schemes of the Company in place from time to time; and
- (j) to ensure that no director is involved in deciding any matters relating to granting of options to that director or that director's associates under the Scheme and the exercise of options by them thereafter.

**E.1.4** 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 Exchange's website and the Company's website.

**E.1.5** The remuneration committee shall be provided with sufficient resources to perform its duties.

- E.1.6** The Company shall disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band (instead of on an individual and named basis) and other remuneration related matters in their annual reports, if considered appropriate.

**F. SHAREHOLDERS ENGAGEMENT**

**F.1 Effective communication and conduct of shareholders meetings**

**Principle**

The board shall be responsible for maintaining an on-going dialogue with shareholders and in particular, use formal meetings (including general meetings) and other appropriate channels under the Company's shareholders' communication policy to communicate with them and to encourage their participation. In addition, the Company shall ensure that shareholders are given sufficient advance notice of shareholders meetings and provide sufficient information to enable shareholders to familiarize themselves with the detailed procedures for conducting a poll, and shall arrange to address questions from shareholders in the shareholders meetings.

- F.1.1** The board has established a shareholders' communication policy and shall review it on a regular basis.
- F.1.2** The Company has a policy on payment of dividends or distributions and shall disclose it in the annual report.
- F.1.3** The board, in particular the independent non-executive directors, shall be accessible to shareholders to facilitate constructive engagement and to understand their views on matters affecting the Company, including governance and performance against the Company's corporate strategy. The board shall include in the Corporate Governance Report information on engagement conducted with shareholders during the reporting period, including:
- (a) the nature and number/frequency of the engagements conducted;
  - (b) the group(s) of shareholders involved in these engagements;
  - (c) the representatives of the Company involved in these engagements (e.g. chief executive, chairman of the board, independent non-executive directors, board committee chairmen and members of senior management); and
  - (d) the Company's approach to following up on the outcomes of these engagements.



- F.1.4** For each substantially separate issue at a general meeting, a separate resolution shall be proposed by the chairman of that meeting. The Company shall avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the Company shall explain the reasons and material implications in the notice of meeting.
- F.1.5** The chairman of the board shall attend the annual general meeting, where feasible. The chairman of the board shall also invite the lead independent non-executive director (if any) and the chairmen of the ARMC, remuneration, nomination, corporate governance and any other committees (as appropriate) to attend. In the absence of any committee chairman, the chairman shall invite another member of the committee or failing this their duly appointed delegate, to attend. These persons shall be available to answer relevant questions at the annual general meeting. The chairman of the independent board committee (if any) shall 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 shall ensure that the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors’ report, the accounting policies and auditor independence. Such persons’ attendance by electronic means, including telephonic or videoconferencing, shall be counted as physical attendance.
- F.1.6** The chairman of a meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

*Revised and approved by the Board on 28 August 2025*