

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Board of Directors (the “Board”) is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders’ value as a whole.

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2021. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

## BOARD OF DIRECTORS

### Responsibility and delegation

The Board is primarily responsible for considering and deciding on matters covering overall Group strategies, business and investment plans, major acquisitions and disposals, annual financial budgets, approving annual reports and interim reports, announcement of annual results and interim results, dividend policy and payments, appointment of directors, oversight of management and oversee the effectiveness of the risk management and internal control systems of the Group including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and internal audit function, and their respective training programmes and budget, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the articles of association of the Company (the “Articles of Association”) and the Board will from time to time delegate the functions to the management whenever required. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board focuses its attention on matters affecting the Company’s long term objectives and plans for achieving these objectives, the Group’s overall business and commercial strategy as well as overall policies and guidelines.

The Board has established board committees with written terms of references to assist in the efficient implementation of its functions, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Board Committees.

Board meetings are held regularly four times a year and additional meetings are held as and when required to discuss significant matters or important issues. In order to meet tight time constraints and make timely decision for the Company’s policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association. Directors’ attendance by electronic means including telephone conferencing is counted as attendance at a physical board meeting. The Company Secretary shall attend all regular board meetings and additional meetings to advise on statutory compliance and corporate governance, when necessary.

During the year, the Chairman, even though he is an Executive Director, held a meeting with all Independent Non-executive Directors without the presence of another Executive Director.

All Directors have been provided, on a monthly basis, with the Group’s management information updates, giving a balanced and understandable assessment of the Group’s performance, position, and budget, to keep them abreast of the Group’s affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

## BOARD COMPOSITION

The Board comprises seven Directors including two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The names of the Directors of the Company are as follows:

### Executive Directors

Dr. Lam Ko Yin, Colin (*Chairman of the Board*)  
Mr. Li Ning

### Non-executive Directors

Mr. Au Siu Kee, Alexander  
Mr. Lau Yum Chuen, Eddie

### Independent Non-executive Directors

Mr. Ho Hau Chong, Norman  
Ms. Wong Yu Pok, Marina  
Mr. Wu King Cheong

The biographical details of the Directors are set out in the section headed “Directors’ and Senior Management’s Profile” on pages 3 to 5 of this Annual Report. A list of the Directors and their role and function is available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and Hong Kong Exchanges and Clearing Limited (“HKEX”) ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the total number of issued shares of the Company under Part XV of the Securities and Futures Ordinance (“SFO”). Dr. Lee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee and Dr. Lam Ko Yin, Colin are executive directors of Henderson Land Development Company Limited (“HLD”). Mr. Wu King Cheong and Mr. Au Siu Kee, Alexander are independent non-executive directors of HLD. HLD has discloseable interests under the provisions of the SFO in the Company.

Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the Directors.

## BOARD DIVERSITY POLICY

The Board approved and adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board in August 2013 and revised the Board Diversity Policy in December 2018. The Nomination Committee of the Company has considered measurable objectives mainly on gender, age, professional experience and ethnicity to implement the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The selection and recommendation of candidates will be based on the nomination procedures, process and criteria adopted by the Board and a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board is satisfied that its composition is appropriate being considered the skills, experience and attributes of the Directors. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the policy as appropriate. The Board Diversity Policy can be found and accessible on the website of the Company ([www.hkf.com](http://www.hkf.com)).

### NOMINATION POLICY

The Board approved and adopted the Nomination Policy in December 2018 for identifying and evaluating candidates for nomination to the Board. The Nomination Policy aims to set out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) shareholders of the Company for election as a director of the Company. The Nomination Committee will also take into account the Board Diversity Policy and the Nomination Policy when identifying suitably qualified candidates for the Board and would review the Policies regularly to ensure their continuing effectiveness. The Nomination Policy sets out the criteria and procedures in making nominations, including but not limited to, skills, experience and professional expertise; diversity; commitment and standing. When the candidate to be nominated as an independent non-executive director, he/she must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. No candidate was nominated for directorship in 2021. The Nomination Policy can be found and accessible on the website of the Company ([www.hkf.com](http://www.hkf.com)).

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee is responsible to review the structure, size, diversity and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The Nomination Committee takes into account that person's skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

The Nomination Committee noted that the proposed re-election of Ms. Wong Yu Pok, Marina ("Ms. Wong") who had been serving as an Independent Non-executive Director of the Company since May 2008 for more than nine years, shall be subject to a separate resolution to be approved by the shareholders at the annual general meeting to be held on Tuesday, 31 May 2022 (the "2022 annual general meeting") pursuant to the Code.

Ms. Wong is also a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Ms. Wong has met the independence guidelines set out in Rule 3.13 of the Listing Rules and has also given an annual confirmation of her independence to the Company. Ms. Wong has served in this capacity for more than nine years. Notwithstanding her long-term service, given her extensive commercial and financial experiences, the Nomination Committee and the Board are of the opinion that she continues to bring independent and objective perspectives to the Company's affairs and provides valuable insights to the management. The Nomination Committee also considered that Ms. Wong has continuously contributed to the Company and the Board with her relevant experience and knowledge throughout her years of service. The Nomination Committee and the Board, therefore, recommended her to be re-elected. Ms. Wong shall retire by rotation in accordance with the Articles of Association at the 2022 annual general meeting. Her further appointment should be subject to a separate resolution to be approved by Shareholders at the 2022 annual general meeting in accordance with the Code.

The appointment of independent non-executive directors adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

According to the Articles of Association, a newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS (Continued)

In accordance with the Articles of Association, no Director shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the shareholders of the Company.

In addition, 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, the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years.

The procedures for shareholders of the Company to propose a person for election as a Director are available and accessible on the website of the Company ([www.hkf.com](http://www.hkf.com)) and to the sub-section of "Procedures for Shareholders to propose a person for election as a director" on page 40 of this Corporate Governance Report.

## CHAIRMAN AND GROUP GENERAL MANAGER

The roles of the Chairman and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Chairman of the Board and the Group General Manager and also provides checks and balances effect.

The role of the Chairman of the Board is taken by Dr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the Code but not otherwise) is taken by Mr. Lee Gabriel following the retirement of Mr. Dr. Ho Chi Shing, David as the Group General Manager on 15 October 2021. Mr. Lee Gabriel joined the Group as the Group General Manager on 4 October 2021. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

## NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules of having at least three independent non-executive directors, representing one-third of the Board. One of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

All Non-executive Directors (including Independent Non-executive Directors) of the Company have been appointed for a specific term to 31 December 2022. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Articles of Association.

## CONFIRMATION OF INDEPENDENCE

The Nomination Committee and the Board noted that Mr. Ho Hau Chong, Norman is an executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of HLD. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules.

In view of the fact that Mr. Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar Group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an Independent Non-executive Director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

The Board has received an annual confirmation of independence from each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong, Independent Non-executive Directors of the Company, pursuant to Rule 3.13 of the Listing Rules.

## CONFIRMATION OF INDEPENDENCE

(Continued)

All Independent Non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

## DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the "Companies Ordinance") and corporate governance practices organised by professional bodies and institutions in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written reading materials to develop and refresh their professional skills; the Group also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend presentations of the distinguished speaker from the professional fields on topic of China Economy.

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records maintained by the Company, the Directors received the following training(s) in compliance with the requirement of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2021:

Type of trainings relevant to corporate governance, regulatory updates and/or accounting, finance, tax, information technology and sustainability	
Board of Directors	
<b>Executive Directors</b>	
Dr. Lam Ko Yin, Colin ( <i>Chairman of the Board</i> )	A, B
Mr. Li Ning	A, B
<b>Non-executive Directors</b>	
Mr. Au Siu Kee, Alexander	A, B
Mr. Lau Yum Chuen, Eddie	A, B
<b>Independent Non-executive Directors</b>	
Mr. Ho Hau Chong, Norman	A, B
Ms. Wong Yu Pok, Marina	A, B
Mr. Wu King Cheong	A, B

A: attending seminars and/or presentations

B: reading materials

## DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## BOARD COMMITTEES

The Board has established three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

### Audit Committee

The Audit Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Audit Committee are available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.

The major duties and responsibilities of the Audit Committee are to review of the annual and interim results and oversight of the Company's financial reporting principles and practices and discuss with the external auditor on financial reporting and compliance; to recommend the appointment, re-appointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor, to review the representation letter and engagement letter from the external auditor. The Audit Committee oversees the effectiveness of risk management and internal control systems of the Group including the adequacy of resources, staff qualifications, experience, programmes and budget of the accounting and reporting function and internal audit function of the Group. The external auditor was invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and annual results of the Group. The Audit Committee has been delegated the corporate governance functions by the Board to review and monitor the corporate compliance within the Group.

During the year, two audit committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results and the financial statements for the year ended 31 December 2020 with recommendation to the Board for approval, the Annual Internal Audit Report, the continuous professional development training records of Directors and senior management, Continuing Connected Transactions, a review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions and internal audit function, the interim results for the six months ended 30 June 2021, the Interim Internal Audit Report, to approve the representation letter and the terms of engagement of the external auditor, the works of the Company's internal audit department, assessed the effectiveness of the Group's systems of risk management and internal controls.

The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report.

As a recommended best practice under the Code, the Company has adopted a whistleblowing policy. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

### Remuneration Committee

The Remuneration Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman and Ms. Wong Yu Pok, Marina and two Executive Directors namely Dr. Lam Ko Yin, Colin and Mr. Li Ning.

The terms of reference of the Remuneration Committee are available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.



### BOARD COMMITTEES (Continued)

#### Remuneration Committee (Continued)

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's emolument and on the establishment of a formal and transparent procedure for developing emolument policy.

The Remuneration Committee is responsible for reviewing the policy and structure for the emolument of all Directors and senior management of the Company, assessing performance of executive directors and establishment of a formal and transparent procedure for developing policy on such emolument.

The emolument of the Directors and senior management is determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance and the overall profitability, corporate goals and objectives of the Company as a whole. In determining the emolument package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, etc.

During the year, one remuneration committee meeting was held and one resolution in writing signed by all Remuneration Committee members. During the meeting, the Remuneration Committee members reviewed and determined the emolument package of the staff including the senior management of the Company and made recommendations on the fees of all the Directors of the Company for the year ended 31 December 2021. The Remuneration Committee members reviewed and recommended to the Board the emoluments of the newly appointed Group General Manager of the Company as determined with reference to his duties and responsibilities towards the Company and the then prevailing market conditions and practice by resolutions in writing.

#### Nomination Committee

The Nomination Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises two Executive Directors namely Dr. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Mr. Li Ning and three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Nomination Committee are available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.

The Nomination Committee is responsible for reviewing the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy, with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors and 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. The Nomination Committee shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

## BOARD COMMITTEES (Continued)

### Nomination Committee (Continued)

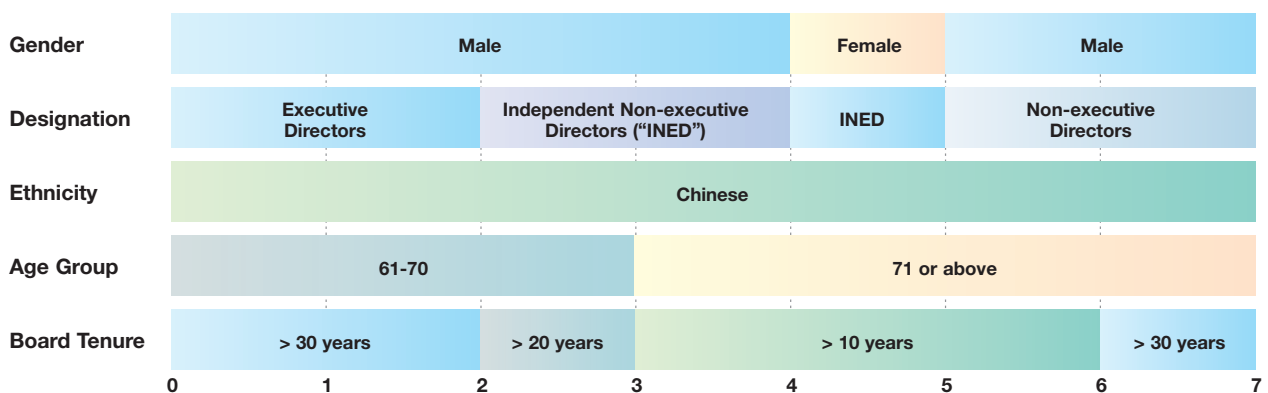
During the year, there is no change in the composition of the Board and one nomination committee meeting was held and one resolution in writing signed by all Nomination Committee members. During the meeting, the Nomination Committee members reviewed the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board, assessed the independence of Independent Non-executive Directors and reviewed the Independent Non-executive Directors' annual

confirmations on their independence; reviewed the time required for a Director to perform his responsibilities; made recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 27 May 2021. The Nomination Committee members also reviewed the Board Diversity Policy and the Nomination Policy remained relevant and no revision was required and reviewed the proposed amendments to the disclosure of corporate governance of the Company, where appropriate, and recommended the same to the Board for approval. The Nomination Committee members reviewed the selection and assessment approach and endorsed the appointment of the new Group General Manager of the Company by resolutions in writing.

The composition of the Board provides a diversity of skills, gender, experience, and knowledge to the Company. The diversity profile of the Board as at 18 March 2022 is as follows:

### Board Diversity

#### Number of Directors: 7



*Note:*

Multiple professional background and experience may apply to a Director.



### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, the Company confirmed that all Directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for relevant employees (including employees of the Company or Directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of unpublished inside information in relation to the Company or its securities), in respect of their dealings in the securities of the Company.

### POLICY AND PROCEDURES ON DISCLOSURE OF INSIDE INFORMATION

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the website of the Company ([www.hkf.com](http://www.hkf.com)).

### COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Directors' and Senior Management's Profile" on page 6 of this Annual Report.

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period to give a true and fair view of the financial position and financial performance of the Group. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable, and have prepared the consolidated financial statements on a going concern basis.

The statement of the Auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 73 to 78 of this Annual Report.

#### Auditor's Remuneration

Apart from carrying out the annual audit, KPMG, the Auditor of the Company also carried out the review on the interim report of the Company. For the year ended 31 December 2021, the fee of the annual audit amounted to HK\$1,802,000 whereas the fee for the interim review amounted to HK\$355,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

#### Risk Management and Internal Controls

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing the effectiveness at least annually through Audit Committee. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the areas of financial, operational, and compliance controls and risk management functions.

## ACCOUNTABILITY AND AUDIT (Continued)

### Risk Management and Internal Controls (Continued)

The Group has established an organisational structure with defined levels of responsibility and reporting procedures. The Audit Committee supports the Board in design, implementation and monitoring of the risk management and internal control systems. The operating units of the Group are responsible for the identification, assessment and mitigation of risks at business unit level and across functional areas. The Internal Risk Management Team, composed of nominated department heads and executives, facilitates the implementation of the risk management framework. The Internal Audit Department assists the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors, through the Audit Committee, are kept regularly apprised of significant risks that may impact on the Group's performance.

The process of risk management involves:

- understanding of organisational objectives;
- identifying the risk associated with achieving organisational objectives and assessing the likelihood and potential impact of particular risks;
- developing programmes to address the identified risks; and
- ongoing monitoring and evaluating the risks, internal control and the arrangements in place to address them.

The risk management of the Group combines a top-down strategic view with a complementary bottom-up operational process.

The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. The Audit Committee supports the Board to review all significant risks in order to ensure that the activities of the business remain within agreed risk appetite tolerances.

The operating units of the Group are responsible for identifying their own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The setting of business objectives and annual budgeting is one of their key control activities, which shall be refined to take into consideration risk factors. The operating units of the Group consult the Group General Manager on setting the business objectives which are pursuant to the Board's strategic objectives and are consistent with its risk appetite. The process involves the maintenance of risk assessment reports setting out particulars of material risks together with the control strategies as reported by the operating units of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite.

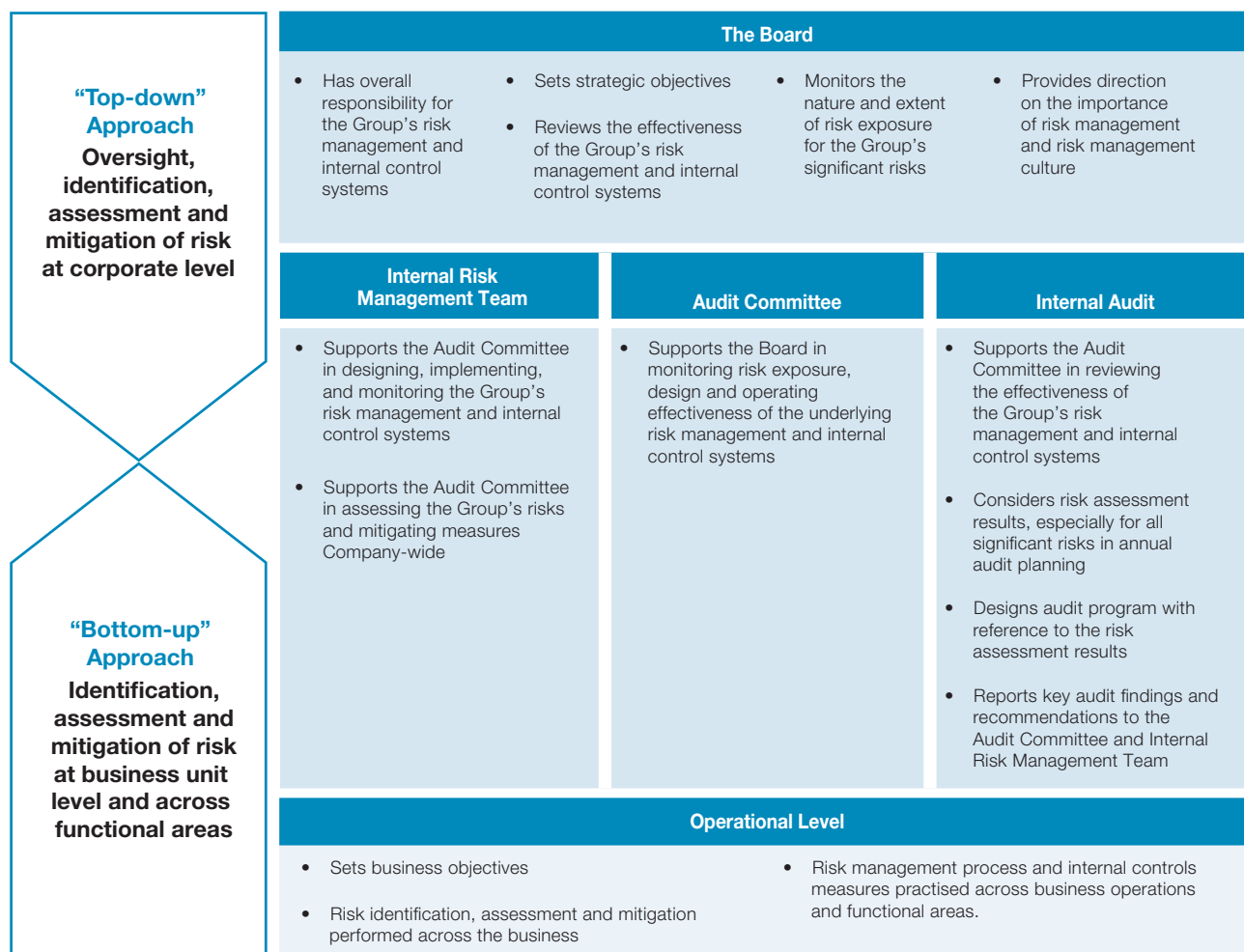
The Internal Audit Department collects the risk assessment reports from the operating units of the Group and then compiles a risk register for review at the meeting of Internal Risk Management Team which is held at least 4 times a year (2 meetings are held before the holding of the Board Meeting to review the interim and annual results of the Group). The Internal Risk Management Team coordinates risk management activities and assesses the effectiveness of the related system of internal control in managing the significant risks, having regard, in particular, to any significant failings or weakness in internal control that have been reported.

The Internal Audit Department adopted a risk-based approach which included all significant risks in each year's annual audit plan and performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2021. It is intended to carry out this evaluation process on an ongoing basis. Key audit findings and recommendations have been shared with the Internal Risk Management Team. The Audit Committee, after reviewing and considering the risk management findings submitted by the Internal Audit Department, reported to the Board of the Company and confirmed to the Board that the risk management and internal control systems are effective and adequate.

## ACCOUNTABILITY AND AUDIT (Continued)

### Risk Management and Internal Controls (Continued)

The diagram below summarizes the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management.



Certain significant risks such as business risk, financial risk, regulatory and compliance risk and operational risk have been identified during the year through the process of risk identification and assessment. Relevant control strategies and mitigation on significant risks have been reported to the Audit Committee. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group and considered the risk management and internal control systems to be generally effective and adequate.

The Audit Committee has established and overseen a whistleblowing policy and set comprehensive procedures whereby employees can report any actual or suspected occurrence of improper conduct involving the Company, and for matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Audit Committee has designated the Internal Audit Manager to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

**ACCOUNTABILITY AND AUDIT (Continued)****Risk Management and Internal Controls**  
(Continued)**Inside Information**

With regard to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules.
- conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission.
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorized use of confidential or inside information.
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

**ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS**

Details of the attendance of each director at the Board Meetings (“BM”), Audit Committee Meetings (“ACM”), Remuneration Committee Meeting (“RCM”) and Nomination Committee Meeting (“NCM”) during the year ended 31 December 2021 and Annual General Meeting held on 27 May 2021 (“2021 AGM”) are set out in the following table:

	Number of Meetings attended/held				
Board of Directors	BM	ACM	RCM	NCM	2021 AGM
Executive Directors					
Dr. Lam Ko Yin, Colin (Note 1)	4/4	N/A	1/1	1/1	1/1
Mr. Li Ning (Note 2)	4/4	N/A	1/1	1/1	1/1
Non-executive Directors					
Mr. Au Siu Kee, Alexander	4/4	N/A	N/A	N/A	1/1
Mr. Lau Yum Chuen, Eddie	4/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman (Note 3)	4/4	2/2	1/1	1/1	1/1
Ms. Wong Yu Pok, Marina (Note 4)	4/4	2/2	1/1	1/1	1/1
Mr. Wu King Cheong (Note 5)	4/4	2/2	1/1	1/1	1/1

Notes:

1. Chairman of the Board, Member of the Remuneration Committee and Chairman of the Nomination Committee
2. Member of the Remuneration Committee and the Nomination Committee
3. Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee
4. Member of the Audit Committee, the Remuneration Committee and the Nomination Committee
5. Member of the Audit Committee, Chairman of the Remuneration Committee and Member of the Nomination Committee

### COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue investor relations and communications with shareholders.

The Board has adopted a shareholders communication policy to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company has established an effective communication system. The Company also maintains a website ([www.hkf.com](http://www.hkf.com)) through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the shareholders. The Chairman and the chairmen of the audit committee, remuneration committee and nomination committee as well as the Company's external auditor maintained an on-going dialogue with the shareholders and answered questions raised by the shareholders throughout the annual general meeting.

### DIVIDEND POLICY

The Board approved and adopted the Dividend Policy in December 2018 setting out the factors in determination of dividend payment of the Company according to the financial conditions in general, operating results, capital requirements, shareholders' equity, contractual restraints and other factors considered relevant by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required. During the year, the Board reviewed the Dividend Policy and it was agreed that it remained relevant and no revision was required. The Dividend Policy is available on the website of the Company ([www.hkf.com](http://www.hkf.com)).

With respect to the Financial Statements and Dividends for the year ended 31 December 2021, please refer to the Report of the Directors set out on page 16 of this Annual Report.

### SHAREHOLDERS' RIGHTS

Set out below are procedures by which shareholders may: (1) request to call a general meeting; (2) put forward enquiries to the Board; and (3) request to circulate a resolution for an annual general meeting. These procedures are generally governed by the provisions of the Articles of Association and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies.

#### 1. Procedures by which shareholders may request to call a general meeting

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

The request: (a) must state the general nature of the business to be dealt with at the general meeting; (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting; (c) may consist of several documents in like form; (d) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at [hkferry@hkf.com](mailto:hkferry@hkf.com); and (e) must be authenticated by the shareholders making it.

**SHAREHOLDERS' RIGHTS (Continued)****1. Procedures by which shareholders may request to call a general meeting (Continued)**

Pursuant to Section 567 of the Companies Ordinance, the Directors must call a general meeting within 21 days after the date on which it becomes subject to the requirement and a general meeting so called must be held on a date not more than 28 days after the date of the notice convening a general meeting. If the Directors do not do so, the shareholders, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a general meeting. Any reasonable expenses incurred by the shareholders by reason of the Board's failure to duly call the meeting shall be reimbursed to the shareholders by the Company.

**2. Procedures for putting forward enquiries to the Board**

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary  
 Hong Kong Ferry (Holdings) Company Limited  
 98 Tam Kon Shan Road  
 TYTL 102  
 Ngau Kok Wan  
 North Tsing Yi  
 New Territories  
 Hong Kong

E-Mail: hkferry@hkf.com  
 Telephone: (852) 2394 4294  
 Facsimile: (852) 2786 9001

**3. Procedures to circulate a resolution for an annual general meeting**

Pursuant to Section 615 of the Companies Ordinance, shareholders can make a request to circulate a proposed resolution that may properly be moved and is intended to be moved at an annual general meeting, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution. The request must be made by: (i) shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relates; or (ii) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relates.

The request: (a) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the shareholders making it; and (d) must be received by the Company not later than 6 weeks before the annual general meeting to which the request relates; or if later, not later than the time at which notice is given of that annual general meeting.



### PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

According to the Articles of Association, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the “Candidate”) to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than 7 days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details set out in Rule 13.51(2) of the Listing Rules, to the shareholders for them to make decision on their election at a general meeting.

### INVESTOR RELATIONS

At the annual general meeting of the Company held on 27 May 2021, the Company’s articles of association were amended by passing of a special resolution in order to allow the Company to hold general meetings as hybrid meetings where shareholders may participate by means of electronic facilities in addition to physical attendance, and to provide for other flexibility in relation to the conduct of general meetings.

The updated version of the articles of association of the Company is available on the websites of the Company ([www.hkf.com](http://www.hkf.com)) and HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) respectively.