

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Board of Directors of the Company (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 had complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix C1 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 2023. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

CORPORATE CULTURE AND STRATEGY

With a commitment to maintaining rigorous standards of ethics and governance, the Board cultivates and fosters a corporate culture of integrity, growth, care and collaboration across all levels and in all aspects of operations, as befits the Group’s core values.

The Board defines, promotes and oversees such culture by ensuring its alignment and consistency with the Group’s business objectives, corporate strategies and future direction. The Group’s corporate culture is manifested in and reflected by a broad range of Group-wide policies, practices and procedures, including those relating to governance and compliance, whistleblowing, equal opportunity and diversity, employee welfare and benefits, and corporate social responsibility. Collectively, these established processes shape, sustain and drive the Group’s corporate culture.

The Company has been serving Hong Kong for over a century. Whether it is the Group’s ferry and shipyard businesses, its real estate development or its latest healthcare, medical aesthetic and beauty businesses, the Group upholds the concept of “Putting People First”. The Group is committed to social development, giving back to the local community and setting sail together with the people of Hong Kong.

The three principles of “Love Hong Kong”, “Love Victoria Harbour” and “Care for the Community” are embedded in the corporate culture of the Group. As a responsible corporate citizen, the Group provides a helping hand to the needy through participating in various charity events. It makes use of its unique resources to give back to the community and create long-term value for Hong Kong.

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, approval of annual reports and interim reports, announcements of annual results and interim results, dividend policy and payments, appointment of directors, oversight of management and evaluation of 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, 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 OF DIRECTORS (Continued)**Responsibility and Delegation (Continued)**

Board meetings are held regularly four times a year and additional meetings will be held if necessary 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.

According to the current Board practice, 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 cannot be dealt with by a written resolution of the Board but will be dealt with by the Board at a duly convened Board meeting.

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

The Board has adopted effective mechanisms and conducted review of such mechanisms on an annual basis to ensure independent views and input are available to the Board. Subject to the approval of the Chairman of the Board, Directors may seek, at the Company's expense, independent legal, financial or other professional advices as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively.

There is no equity-based remuneration with performance-related elements to Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

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 two Executive Directors.

BOARD COMPOSITION

The Board comprises nine Directors including three Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. The names of the Directors and the changes to the Board composition during 2023 are as follows:

Executive Directors

Dr. Lam Ko Yin, Colin (*Chairman of the Board*)
Mr. Li Ning
Mr. Lee Gabriel
(appointed on 3 January 2023)
(*Group General Manager*)

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
Mr. Chan Wai Yan, Ronald
(appointed on 20 March 2023)

Mr. Lee Gabriel and Mr. Chan Wai Yan, Ronald were appointed as an Executive Director and an Independent Non-executive Director of the Company respectively before 31 December 2023, the effective date of Rule 3.09D of the Listing Rules. Pursuant to Rule 13.51(2) of the Listing Rules at the time of their appointments, Mr. Lee and Mr. Chan had obtained the legal advice regarding their appointments in January 2023 and March 2023 respectively and they had confirmed they understood their obligations as Directors of the Company.

BOARD COMPOSITION (Continued)

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the date of the Interim Report 2023 and up to the date of this Annual Report required to be disclosed are as follows:

1. Mr. Lee was admitted as a member of The Hong Kong Institute of Directors on 24 March 2023.
2. Mr. Lee was elected as a chartered member of The Chartered Institute of Logistics and Transport in Hong Kong on 22 February 2024.
3. Mr. Chan has been appointed as a member to the Board of Directors of the Financial Services Development Council for a term of two years with effect from 17 January 2024.

The biographical details of the Directors are set out in the section headed “Directors’ and Senior Management’s Profile” on pages 3 to 8 of this Annual Report. A list of the Directors and their role and function is available on the Company’s website (www.hkf.com) (the “Company’s website”) and HKEXnews website (www.hkexnews.hk) (the “HKEXnews website”) respectively.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the total number of the issued shares of the Company under Part XV of the Securities and Futures Ordinance (“SFO”). Dr. Lee Shau Kee 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 in the Company under the provisions of the SFO.

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 considering the skills, experience and attributes of the Directors. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy annually to ensure its continued effectiveness. The Board Diversity Policy can be found and accessible on the Company’s website.

GENDER DIVERSITY

The Company has met gender diversity with the female representation in its Board. As at the date of this Annual Report, the Board has one female Director, the gender diversity has been achieved in respect of the Board. The percentages of male Directors and female Director are approximately 89% and 11% respectively. The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointment.

GENDER DIVERSITY (Continued)

As at 31 December 2023, as set out in the section headed “Performance Data Summary” contained in the Environmental, Social and Governance (“ESG”) Report on pages 85 to 88 of this Annual Report, among the 284 employees (including senior management) of the Group, the percentages of male employees and female employees are approximately 59% and 41% respectively. The Board considers that the Group’s workforce (including senior management) is diverse in terms of gender.

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. Mr. Chan Wai Yan, Ronald was nominated as an Independent Non-executive Director and a member of the Audit Committee in 2023. The Nomination Policy can be found and accessible on the Company’s website.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee is responsible for reviewing the structure, size, diversity and composition of the Board, identifying and nominating suitable candidates to the Board, and making 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 the 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.

All Directors have formal letters of appointment setting out the key terms of their appointments. According to the Articles of Association, any Director newly appointed by the Board 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/annual general meeting.

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

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 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 provided that every Director shall be subject to retirement 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 Company’s website and on the section headed “Procedures for Shareholders to Propose a Person for Election as a Director” in this Corporate Governance Report on page 47 of this Annual Report.

CHAIRMAN AND GROUP GENERAL MANAGER

The roles of the Chairman of the Board 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.

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, who was appointed as an Executive Director of the Company with effect from 3 January 2023. 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 four Independent Non-executive Directors, representing more than 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 all Independent Non-executive Directors 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 interest of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operations of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules. In view of the fact that (i) Mr. Ho is not involved in the management and operations of Wealth Team; (ii) 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 any core connected persons (as defined in the Listing Rules) of the Company, and (iii) 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 Nomination Committee and the Board also noted that Mr. Wu King Cheong is an independent non-executive director of each of HLD, Henderson Investment Limited ("Henderson Investment") and Miramar, and does not take part in the day-to-day management of the aforesaid companies. In view of Mr. Wu's independent scope of works in the past years, the Board considers Mr. Wu to be independent under Rule 3.13 of the Listing Rules despite he has served as a common director of HLD, Henderson Investment and Miramar. Also, Mr. Wu has not engaged in any executive management of the Group. Save as aforesaid, Mr. Wu has complied with other conditions set out in Rule 3.13 of the Listing Rules.

CONFIRMATION OF INDEPENDENCE

(Continued)

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. Mr. Chan Wai Yan, Ronald who has been appointed as an Independent Non-executive Director of the Company with effect from 20 March 2023, has also provided a written confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules before the date of his appointment and also the subsequent confirmation of independence during the year ended 31 December 2023. All Independent Non-executive Directors have been identified in all corporate communications that disclosed the names of Directors.

All Independent Non-executive Directors also met 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, policies 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.

Each newly appointed Director would be provided an induction package. He or she would also receive a briefing on his or her responsibilities under the declaration and undertaking with regard to directors from an external lawyer.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages 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, the 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 distinguished speakers from professional fields on the topics of information technology and taxation in Hong Kong.

The Company continuously updates the 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.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

According to the records maintained by the Company, the Directors received the following training(s) in order to comply with the requirements of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2023:

Board of Directors	Type of trainings relevant to corporate governance, regulatory updates and/or accounting, finance, information technology and tax
Executive Directors	
Dr. Lam Ko Yin, Colin (<i>Chairman of the Board</i>)	A, B
Mr. Li Ning	A, B
Mr. Lee Gabriel (appointed on 3 January 2023) (<i>Group General Manager</i>)	A, B
Non-executive Directors	
Mr. Au Siu Kee, Alexander	A, B
Mr. Lau Yum Chuen, Eddie	A, B
Independent Non-executive Directors	
Mr. Ho Hau Chong, Norman	A, B
Ms. Wong Yu Pok, Marina	A, B
Mr. Wu King Cheong	A, B
Mr. Chan Wai Yan, Ronald (appointed on 20 March 2023)	A, B

A: attending seminars and/or presentations

B: reading relevant 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 four Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Ms. Wong Yu Pok, Marina, Mr. Wu King Cheong and Mr. Chan Wai Yan, Ronald (appointed on 20 March 2023).

The terms of reference of the Audit Committee was reviewed by the Audit Committee and had also been updated in the year and recommended the same to the Board for approval in August 2023. The revised terms of reference of the Audit Committee is available on the Company's website and HKEXnews website respectively.

The major duties and responsibilities of the Audit Committee are to review the annual and interim results and oversee 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 of the external auditor. The Audit Committee oversaw the effectiveness of risk management and internal control systems of the Group including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting functions, as well as the Company's ESG performance and reporting matters. 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.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

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 2022 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, internal audit and financial reporting functions as well as the Company's ESG performance and reporting matters, the interim results for the six months ended 30 June 2023 and the Interim Internal Audit Report, approved 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 control and reviewed and recommended the proposed amendments to the terms of reference of the Audit Committee.

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.

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 is available on the Company's website and HKEXnews website respectively.

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policies and structure for all Directors' and senior management's emolument and on the establishment of a formal and transparent procedure for developing emolument policy. No Director takes part in any discussion on his/her own remuneration.

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

The emolument of the Directors and senior management are determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance, the overall profitability and 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 was 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 2023. The Remuneration Committee members made recommendations to the Board on the remuneration of the appointment of new Independent Non-executive Director of the Company by resolutions in writing.

Particulars of the Directors' and Chief Executive's emoluments disclosed pursuant to the Companies Ordinance and Appendix D2 to the Listing Rules are set out in note 7 to the financial statements on page 136 of this Annual Report while the details of the emoluments of the five highest paid individuals and senior management analysed by band are set out in note 8 to the financial statements on page 137 of this Annual Report.

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 Company's website and HKEXnews website respectively.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

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 strategies, with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become the Board members selects and makes recommendations to the Board on the selection of individuals to be nominated for directorships, assesses the independence of independent non-executive directors, and makes recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Group General Manager. The Nomination Committee shall consider the candidate from a wide range of backgrounds, his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

During the year, one Nomination Committee meeting was held. 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, reviewed the Independent Non-executive Directors' annual confirmations on their independence; reviewed the time required for a Director to perform his/her responsibilities; assessed the independence status of current Independent Non-executive Directors who have served on the Board for more than nine years; made recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 31 May 2023. The Nomination Committee also reviewed the biographies of those retiring Directors and taking into consideration their knowledge, experience, capability and various diversity aspects as set out in the Board Diversity Policy as well as their contributions to the Company over the years. The Nomination Committee is of the view that the retiring Directors would continue to contribute to the Board with their respective perspectives, skills and experience.

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 recommended the appointment of an Independent Non-executive Director and a member of the Audit Committee to the Board for approval in March 2023 in accordance with the Nomination Policy and the Board Diversity Policy of the Company.

Mr. Ho Hau Chong, Norman, who has been appointed as Independent Non-executive Director of the Company since March 1995, has served as Independent Non-executive Director for more than nine years. Mr. Ho is also the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company. Despite Mr. Ho has other directorships as mentioned in the section headed "Confirmation of Independence" in this Corporate Governance Report on pages 34 to 35 of this Annual Report, he does not have any management role in the Company. The Nomination Committee considered that Mr. Ho has continuously contributed to the Company and the Board with his relevant experience and knowledge throughout his years of service.

Mr. Wu King Cheong, who has been appointed as Independent Non-executive Director of the Company since January 2005, has served as Independent Non-executive Director for more than nine years. Mr. Wu is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Despite Mr. Wu has other directorships as mentioned in the section headed "Confirmation of Independence" in this Corporate Governance Report on pages 34 to 35 of this Annual Report, he has not engaged in any executive management of the Group.

BOARD COMMITTEES (Continued)**Nomination Committee (Continued)**

The Nomination Committee also noted that Ms. Wong Yu Pok, Marina has served as an Independent Non-executive Director of the Company since May 2008 for more than nine years. 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 gave an annual confirmation of her independence to the Company. 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.

Each of Mr. Ho, Mr. Wu and Ms. Wong has served the Company for more than nine years, during which period they have provided objective and independent professional advice and insight to the Board. They have in-depth understanding of the Group's businesses and operation and have also demonstrated strong independence by providing impartial views and comments at Board and Board committee meetings during their tenure of office and they remain committed to their independent roles. They have not taken part in the day-to-day management of the Company. The Nomination Committee considered that the long-term service of Mr. Ho, Mr. Wu and Ms. Wong will not affect their exercise of independent judgment and was satisfied that each of them has the required integrity and experiences to continue fulfilling the role of an Independent Non-executive Director.

Save for (i) Mr. Ho is an executive director of Miramar and a director of Wealth Team and (ii) Mr. Wu is currently an independent non-executive director of HLD, Henderson Investment and Miramar, none of them has any financial or family relationships with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company, which could give rise to a conflict of interests situation or otherwise affect their exercise of independent judgement. The Nomination Committee believes that they remain committed to their role as Independent Non-executive Director of the Company and will continue to be independent.

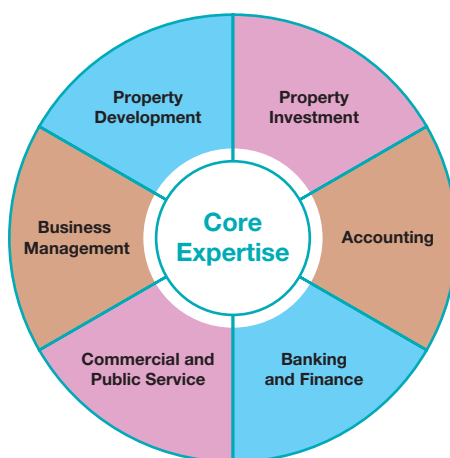
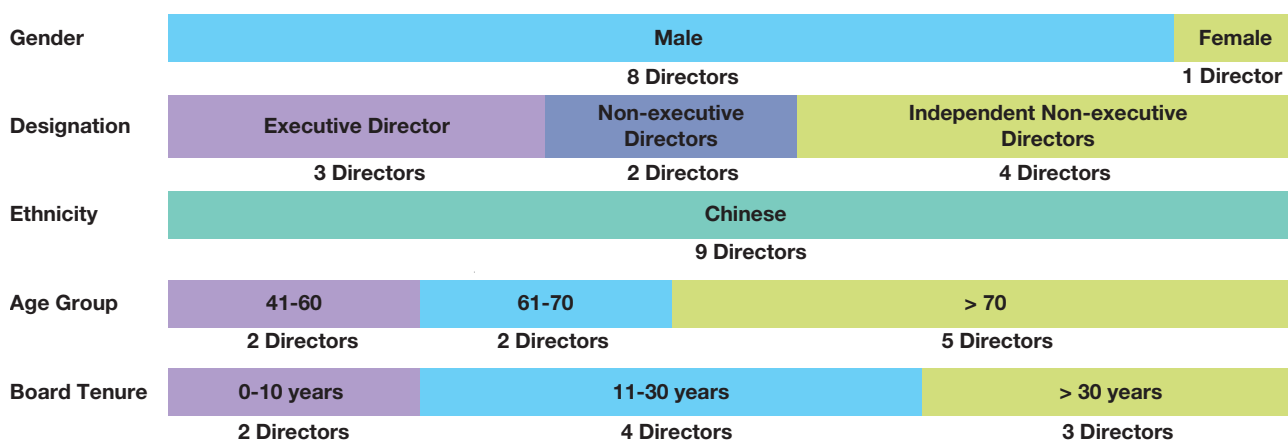
BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The current composition of the Board provides a diversity of skills, gender, experience, and knowledge to the Company. The diversity profile of the Board as at 20 March 2024 is as follows:

BOARD DIVERSITY

Number of Directors: 9



Note:

Multiple professional backgrounds and experiences 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 C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiries, 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 2023.

The Company has also adopted 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, are 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 disseminated to public is 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 Company's website.

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter has retired as the Company Secretary of the Company with effect from 8 December 2023. Mr. Chow Tung Ming ("Mr. Chow") has been appointed as the Company Secretary of the Company with effect from 8 December 2023. Mr. Chow is a full-time employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. Chow is a solicitor as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong, and hence he has complied with the requisite qualifications pursuant to Rule 3.28 of the Listing Rules to discharge the functions of the Company Secretary and has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Mr. Chow is set out in the section headed "Directors' and Senior Management's Profile" on page 8 of this Annual Report.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

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 2023, 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 93 to 97 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 2023, annual audit fee amounted to HK\$1,986,000 whereas the fee for the interim review amounted to HK\$366,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

Policies for Whistleblowing and Anti-corruption

The Company has established a system for employees and any person to report concerns about any suspected or actual improprieties relating to the Group and the relevant details are set out in the Business Ethics and Code of Business Conduct Policy. The policy aims at encouraging and enabling any person 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 by mail to the Chairman of the Whistleblowing Committee. The Group will take appropriate actions against such improprieties and, where appropriate, report the cases to the relevant enforcement authorities.

AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Policies for Whistleblowing and Anti-corruption (Continued)

The Whistleblowing Committee, established in 2022 and consists of three members with majority are independent non-executive directors of the Company, oversees a whistleblowing policy and a set comprehensive procedures whereby the stakeholders, including the employees, can report any actual or suspected occurrence of improper conduct involving the Company, so that matters could be investigated and dealt with efficiently in an appropriate and transparent manner. The Whistleblowing Committee would oversee the investigations and could appoint the Internal Audit Manager to conduct investigation, where appropriate.

Moreover, the Company has adopted the Anti-Corruption and Bribery Policy which provides guidance to our employees on how to recognise and deal with bribery and corruption. Every employee has a duty to report any potential violations of the policy to the Company through the channels set out therein.

Risk Management and Internal Control

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 the Audit Committee. The systems and internal control can only provide reasonable but 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 control, and risk management (including ESG risks) functions.

The Group has established an organisational structure with defined levels of responsibilities 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 review of the effectiveness of the Group's risk management (including ESG risks) and internal control systems on an ongoing basis. The Directors, through the Audit Committee, are kept regularly apprised of significant risks that may have impacts on the Group's performance.

The process of risk management involves:

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

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, particularly focuses on determining the nature and extent of significant risks that 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 business activities 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 the 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.

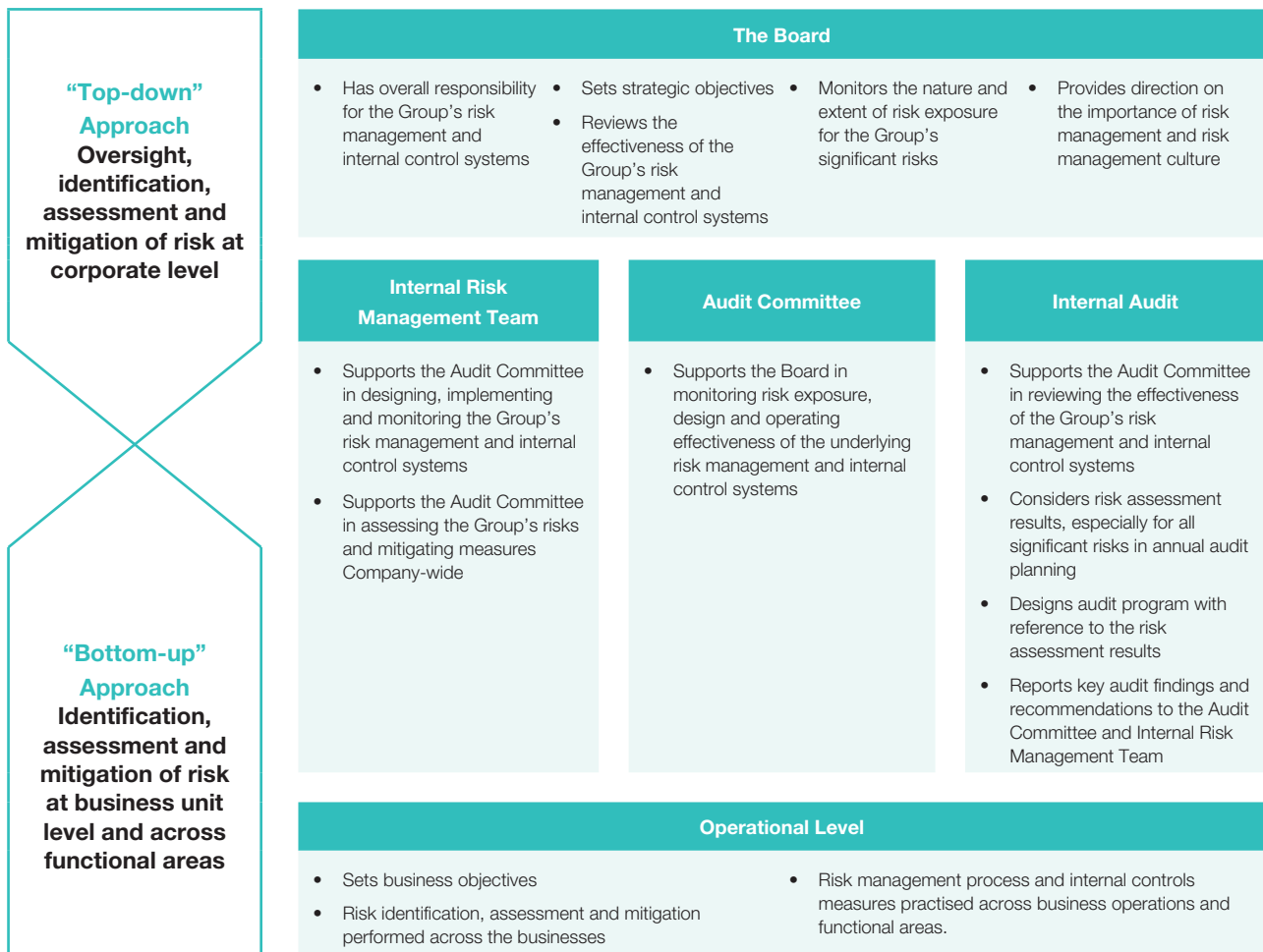
AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Risk Management and Internal Control (Continued)

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 are held at least 3 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 weaknesses 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 2023. 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.

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



AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Risk Management and Internal Control (Continued)

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

Inside Information

With regard to procedures and internal control 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 Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information.
- ensures, through its own internal reporting processes and the consideration of their outcomes 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 2023 and Annual General Meeting held on 31 May 2023 (“2023 AGM”) are set out in the following table:

Board of Directors	Number of Meetings attended/held				2023 AGM
	BM	ACM	RCM	NCM	
Executive Directors					
Dr. Lam Ko Yin, Colin (Note 1)	4/4	N/A	1/1	1/1	1/1
Mr. Li Ning (Note 2)	3/4	N/A	1/1	1/1	1/1
Mr. Lee Gabriel (Note 3) (appointed on 3 January 2023) (Group General Manager)	4/4	2/2	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	1/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman (Note 4)	4/4	2/2	1/1	1/1	1/1
Ms. Wong Yu Pok, Marina (Note 5)	4/4	2/2	1/1	1/1	1/1
Mr. Wu King Cheong (Note 6)	4/4	2/2	1/1	1/1	1/1
Mr. Chan Wai Yan, Ronald (Note 7) (appointed on 20 March 2023)	3/3	1/1	N/A	N/A	1/1

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS (Continued)

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. Mr. Li Ning was unable to attend one Board Meeting due to prior commitment.
3. Subsequent to the appointment of Mr. Lee Gabriel as an Executive Director of the Company on 3 January 2023, he was invited to attend two Audit Committee Meetings, one Remuneration Committee Meeting and one Nomination Committee Meeting in the capacity of the Group General Manager of the Company.
4. Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee.
5. Member of the Audit Committee, the Remuneration Committee and the Nomination Committee.
6. Chairman of the Remuneration Committee, Member of the Audit Committee and the Nomination Committee.
7. Subsequent to the appointment of Mr. Chan Wai Yan, Ronald as an Independent Non-executive Director and a member of the Audit Committee of the Company on 20 March 2023, there were three Board Meetings and one Audit Committee Meeting held.

DIRECTORS' TIME COMMITMENT

The Board regularly reviews the contributions required from a Director to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing his/her role. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments and an indication of time involved. The Company has received confirmation from each Director that he/she has spent sufficient time during the year ended 31 December, 2023. None of the Directors held directorships in more than six listed companies during the year.

COMMUNICATION WITH SHAREHOLDERS

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

The Board has adopted a Shareholders Communication Policy setting 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 Board reviews the Shareholders Communication Policy annually to ensure its continued effectiveness.

The Company has established an effective communication system. The Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors through the Company's website. The Board believes that the Company's website provides an alternative mean for the public investors 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 independent 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 including 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 applicable and no revision was required. The Dividend Policy is available on the Company's website.

With respect to the Financial Statements and Dividends for the year ended 31 December 2023, please refer to the Report of the Directors set out on page 19 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 are 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; and (e) must be authenticated by the shareholders making it.

Pursuant to Section 567 of the Companies Ordinance, the Directors required under Section 566 of the Companies Ordinance to call a general meeting must call a general meeting within 21 days after the date on which they become 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 the general meeting. If the Directors do not do so, the shareholders who requested the general meeting, 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 general 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 requesting the general meeting by reason of the failure of the Directors duly to call a general 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. 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 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 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 31 May 2023, was being held by physical general meeting.

During the year ended 31 December 2023, no amendment was made to the Articles of Association. The latest version of the Articles of Association is available on the Company's website and HKEXnews website respectively.

The Company's information would be communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars) and annual general meetings, as well as disclosures on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the Company's website and HKEXnews website respectively. The Company's website provides shareholders with its corporate information, such as its principal business activities, the development of corporate governance and the sustainable development of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements are made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website.

Shareholders are provided with contact details of the Company, such as telephone number, fax number, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company. In addition, shareholders can contact the Share Registrar of the Company if they have any enquiries about their shareholdings and entitlements to dividend.