



**UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED**

**環球實業科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1026)**

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## **Corporate Governance Code**

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# 環球實業科技控股有限公司

## UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

### CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

This Corporate Governance Code (“CG Code”) is prepared in compliance with the code provisions and some of the recommended best practices of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. Universal Technologies Holdings Limited (the “Company”) adopts the principles and requirements in Listing Rules, the Securities and Futures Ordinance, other applicable laws, rules and regulations (as amended from time to time) for this CG Code which will be adjusted accordingly unless the board of directors of the Company (the “Directors”) (the “Board”) otherwise determined.

It is one of the continuing commitments of the Board and management of the Company to maintain high standards of corporate governance. The Company considers that effective corporate governance makes significant contribution to corporate success and enhancement of shareholder value.

#### A. DIRECTORS

##### A.1 The Board

###### Principle

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

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.

###### Practices of the Company

A.1.1 The Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular Board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present. So, a regular meeting does not include obtaining Board consent through circulating written resolutions.

A.1.2 Arrangements should be in place to ensure that all Directors are given an opportunity to include matters in the agenda for regular Board meetings.

- A.1.3 Notice of at least 14 days should be given of a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice should be given.
- A.1.4 Minutes of Board meetings and meetings of Board committees should be kept by the company secretary of the Company (the “Company Secretary”) and should be open for inspection at any reasonable time on reasonable notice by any Director.
- A.1.5 Minutes of Board meetings and meetings of Board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes should be sent to all Directors for their comment and records respectively, within a reasonable time after the Board meeting is held.
- A.1.6 There should be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company’s expense. The Board should resolve to provide separate independent professional advice to Directors to assist them to perform their duties to the Company.
- A.1.7 If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meeting.

NOTE

A Director’s attendance by electronic means including telephonic or videoconferencing may be counted as attendance at a physical Board meeting.

- A.1.8 The Company should arrange appropriate insurance cover in respect of legal action against the Directors.
- A.1.9 The Company may invite legal advisors to attend Board meeting for professional advice if necessary.

**A.2 Chairman and Chief Executive**

**Principle**

There are two key aspects of the management of the Company – i) the management of the Board and ii) the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated on any one individual.

**Practices of the Company**

- A.2.1 The roles of the chairman of the Board (the “Chairman”) and the chief executive of the Company (the “Chief Executive”) should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and the Chief Executive should be clearly established and set out in writing.

- A.2.2 The Chairman should ensure that all Directors are properly briefed on issues arising at Board meetings.
- A.2.3 The Chairman should be responsible for ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.
- A.2.4 One of the important roles of the Chairman is to provide leadership for the Board. The Chairman should ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Chairman should be primarily responsible for drawing up and approving the agenda for each Board meeting. He should take into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate this responsibility to a designated Director or the Company Secretary.
- A.2.5 The Chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.
- A.2.6 The Chairman should encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman should encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.
- A.2.7 The Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present.
- A.2.8 The Chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.
- A.2.9 The Chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors.

### **A.3 Board Composition**

#### **Principle**

The Board should have a balance of skills and experience appropriate for the requirements of the Company's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.

#### **Practices of the Company**

- A.3.1 The Company must appoint independent non-executive Directors representing at least one-third of the Board.

A.3.2 The independent non-executive Directors should be identified in all corporate communications that disclose the names of Directors.

A.3.3 The Company should maintain on its website and on the Exchange's website an updated list of Directors identifying their role and function and whether they are independent non-executive Directors.

#### **A.4 Appointments, re-election and removal**

##### **Principle**

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

##### **Practices of the Company**

A.4.1 Non-executive Directors should be appointed for a specific term, subject to re-election.

A.4.2 All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

A.4.3 Serving more than 9 years could be relevant to the determination of a non-executive Director's independence. If an independent non-executive Director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected.

#### **A.5 Nomination Committee**

##### **Practices of the Company**

A.5.1 The Company should establish a nomination committee which is chaired by the Chairman or an independent non-executive Director and comprises a majority of independent non-executive Directors.

A.5.2 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties:-

- (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- (b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) assess the independence of independent non-executive Directors; and
- (d) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive.

A.5.3 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on the Exchange's website and the Company's website.

A.5.4 The following must be disclosed in the Corporate Governance Report included in the annual report of the Company (the "Corporate Governance Report"):

- (a) the role and function of the nomination committee;
- (b) the composition of the nomination committee and whether it comprises independent non-executive Directors, non-executive Directors and executive Directors (including their names and identifying the chairman of the nomination committee);
- (c) the number of meetings held by the nomination committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and
- (d) a summary of the work during the year, determining the policy for the nomination of Directors, the nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship during the year; performed by the nomination committee.

A.5.5 The Company should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.

A.5.6 Where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.

## **A.6 Responsibilities of Directors**

### **Principle**

Every Director must always know his responsibilities as a director of a listed company and its conduct, business activities and development. Given the essential unitary nature of the Board, non-executive Directors have the same duties of care and skill and fiduciary duties including acting honestly in good faith for the benefits of the Company as executive Directors.

## **Practices of the Company**

A.6.1 Every newly appointed Director should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the Company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

A.6.2 The functions of non-executive Directors should include:

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

A.6.3 Every Director should ensure that he can give sufficient time and attention to the Company's affairs and should not accept the appointment if he cannot do so.

A.6.4 The Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the Company's securities. "Relevant employee" includes any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

A.6.5 All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

### **NOTE**

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

A.6.6 Each Director should disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The Board should determine for itself how frequently this disclosure should be made.

- A.6.7 Independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.
- A.6.8 Independent non-executive Directors and other non-executive Directors should make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.
- A.6.9 Each independent non-executive Director should inform the Exchange as soon as applicable if there is any subsequent change of circumstances which may affect his independence and must provide an annual confirmation of his independence to the Company. The Company must confirm in each of its annual reports whether it has received such confirmation and whether it still considers the independent non-executive Director to be independent.

## **A.7 Supply of and access to information**

### **Principle**

Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

### **Practices of the Company**

- A.7.1 For regular Board meetings, and as far as practicable in all other cases, an agenda and accompanying Board papers should be sent, in full, to all Directors. These should be sent in a timely manner and at least 3 days before the intended date of a Board or Board committee meeting (or other agreed period).
- A.7.2 Management has an obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfill his duties properly, a Director may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he may need to make further enquiries. Where any Director requires more information than is volunteered by management, he should make further enquiries where necessary. So, the Board and individual Directors should have separate and independent access to the Company's senior management. "Senior management" refers to the same persons referred to in the Company's annual report and required to be disclosed under paragraph 12 of Appendix 16.
- A.7.3 All Directors are entitled to have access to Board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. Queries raised by Directors should receive a prompt and full response, if possible.

## **B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION**

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

#### **Principle**

The Company should disclose the Directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain Directors to run the Company successfully without paying more than necessary. No Director should be involved in deciding his own remuneration.

#### **Practices of the Company**

B.1.1 The Company must establish a remuneration committee chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors. The Board must approve and provide written terms of reference for the remuneration committee which clearly establishes its authority and duties.

B.1.2 The remuneration committee should consult the Chairman and/or Chief Executive about their remuneration proposals for other executive Directors. The remuneration committee should have access to independent professional advice if necessary.

B.1.3 The remuneration committee's terms of reference should include, as a minimum:

- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) either:
  - (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or
  - (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (d) to make recommendations to the Board on the remuneration of non-executive Directors;

- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries (the “Group”);
- (f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

B.1.4 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Exchange’s website and the Company’s website.

B.1.5 The following must be disclosed in the Corporate Governance Report included in the annual report of the Company (the “Corporate Governance Report”):

- (a) the role and function of the remuneration committee;
- (b) the composition of the remuneration committee and whether it comprises independent non-executive Directors, non-executive Directors and executive Directors (including their names and identifying the chairman of the remuneration committee);
- (c) the number of meetings held by the remuneration committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and
- (d) a summary of the work during the year, including determining the policy for the remuneration of executive Directors, assessing performance of executive Directors and approving the terms of executive Directors’ service contract, performed by the remuneration committee and disclose which of the two models of remuneration committee described in B1.3(c) of this CG Code was adopted.

B.1.6 The remuneration committee should be provided with sufficient resources to perform its duties.

B.1.7 The Company should disclose details of any remuneration payable to members of senior management by band in its annual reports.

## C. ACCOUNTABILITY AND AUDIT

### C.1 Financial reporting

#### Principle

The Board should present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects.

#### Practices of the Company

- C.1.1 Management should provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval.
- C.1.2 Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

#### NOTE

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

- C.1.3 The Directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the Company will continue in business, the Directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the Company may refer to other parts of the annual report. These references should be clear and unambiguous and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.
- C.1.4 The Directors should include in the separate statement containing a discussion and analysis of the Group's performance in the annual report, an explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives.

## NOTE

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

- C.1.5 The Board should present a balanced, clear and understandable assessment in annual, interim and quarterly reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.

## **C.2 Internal controls**

### **Principle**

The Board should ensure that the Company maintains sound and effective internal controls to safeguard shareholders' investment and the Company's assets.

### **Practices of the Company**

- C.2.1 The Directors should at least annually conduct a review of the effectiveness of the Group's internal control system and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.
- C.2.2 The Board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

## **C.3 Audit Committee**

### **Principle**

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

### **Practices of the Company**

- C.3.1 Full minutes of audit committee meetings should be kept by the Company Secretary. Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.
- C.3.2 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of 1 year from the date of his ceasing:
- (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm, whichever is later.

C.3.3 The audit committee's terms of reference should include at least:

*Relationship with the Company's auditors*

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

*Review of the Company's financial information*

- (d) to monitor integrity of the Company's financial statements and the annual report and accounts, interim report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the committee should focus particularly on: -
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
  - (i) members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and

- (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

*Oversight of the Company's financial reporting system and internal control procedures*

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

C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Exchange's website and the Company's website.

C.3.5 The following must be disclosed in the Corporate Governance Report included in the annual report of the Company (the "Corporate Governance Report"):

- (a) the role and function of the audit committee;
- (b) the composition of the audit committee and whether it comprises independent non-executive Directors, non-executive Directors and executive Directors (including their names and identifying the chairman of the audit committee);

- (c) the number of meetings held by the audit committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and
- (d) a summary of the work during the year, including a report on how it met its responsibilities in its review of the quarterly, interim and annual results and internal control system, and its other duties under the Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules and details of non-compliance with Rule 3.21 of the Listing Rules (if any) and an explanation of the remedial steps taken by the Company to address non-compliance with establishment of an audit committee.

C.3.6 Where the Board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

C.3.7 The audit committee should be provided with sufficient resources to perform its duties.

C.3.8 The terms of reference of the audit committee should also require it:

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

## **D. DELEGATION BY THE BOARD**

### **D.1 Management functions**

#### **Principle**

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

#### **Practices of the Company**

D.1.1 When the Board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's power, in particular, where management should report back and obtain prior Board approval before making decisions or entering into any commitments on the Company's behalf.

#### NOTE

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

- D.1.2 The Company should formalise the functions reserved to the Board and those delegated to management. It should review those arrangements periodically (at least once a year) to ensure that they remain appropriate to the Company's needs.
- D.1.3 The Company should disclose the respective responsibilities, accountabilities and contributions of the Board and management.
- D.1.4 Directors should clearly understand delegation arrangements in place. The Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment.

## **D.2 Board Committees**

### **Principle**

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

### **Practices of the Company**

- D.2.1 Where Board committees are established to deal with matters, the Board should give them sufficiently clear terms of reference to enable them to perform their functions properly.
- D.2.2 The terms of reference of Board committees should require them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

## **D.3 Corporate Governance Functions**

### **Practices of the Company**

- D.3.1 The terms of reference of the Board (or a committee or committees performing this function) should include at least:
- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
  - (b) to review and monitor the training and continuous professional development of Directors and senior management;
  - (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report.

D.3.2 The Board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 of this CG Code or it may delegate the responsibility to a committee or committees.

D.3.3 The following must be disclosed in the Corporate Governance Report included in the annual report of the Company (the "Corporate Governance Report"):

- (a) the role and function of the Board for corporate governance functions;
- (b) the composition of the Board for corporate governance functions and whether it comprises independent non-executive Directors, non-executive Directors and executive Directors (including their names and identifying the chairman of the Board);
- (c) the number of meetings held by the Board for corporate governance functions during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and
- (d) a summary of the work of the Board for corporate governance functions during the year, including determining policy for the corporate governance of the Company, and duties performed by the Board or the committee(s) under D.3.1 under the CG Code.

## **E. COMMUNICATION WITH SHAREHOLDERS**

### **E.1 Effective communication**

#### **Principle**

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

#### **Practices of the Company**

E.1.1 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The Company should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the Company should explain the reasons and material implications in the notice of meeting

#### **NOTE**

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

- E.1.2 The Chairman should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.
- E.1.3 The Company should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.
- E.1.4 The Board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.

## **E.2 Voting by Poll**

### **Principle**

The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

### **Practices of the Company**

- E.2.1 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.
- E.2.2 The Company should appoint its auditors, share registrar or external accountants who are qualified to serve as auditors for the Company as scrutineer for the vote-taking in accordance with the Rule 13.39(5) of the Listing Rules.
- E.2.3 The Company Secretary should assist and advise the chairman of the annual general meeting in and provide guidance on the conduct and the proceedings of the meeting.
- E.2.4 The legal advisor will attend the annual general meeting and provide guidance if necessary.

## F. COMPANY SECRETARY

### F.1 The Company Secretary

#### Principle

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive on governance matters and should also facilitate induction and professional development of Directors.

#### Practices of the Company

F.1.1 The Company Secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. Where the Company engages an external service provider as its Company Secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the Company whom the external provider can contact.

F.1.2 The Board should approve the selection, appointment or dismissal of the Company Secretary.

#### NOTE

A Board meeting should be held to discuss the appointment and dismissal of the Company Secretary and the matter should be dealt with by a physical Board meeting rather than a written resolution.

F.1.3 The Company Secretary should report to the Chairman and/or the Chief Executive.

F.1.4 All Directors should have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

## G. COMMUNICATION WITH OUTSIDERS

### G.1 Communication Policy

#### Principle

To ensure a consistent, unified message, all Directors and employees of the Company are required to comply with the following media communication policy.

#### Practices of the Company

G.1.1 Communication with legal and regulatory bodies

- (a) Authorized Representatives are appointed as the main communication channel with the Exchange. The Company may appoint legal advisors for this purpose.

### G.1.2 Communication with financing bodies

- (a) An executive Director or the chief financial officer of the Company may represent for this purpose. Also, the Company may appoint a financial advisor for this purpose if necessary.

### G.1.3 Communication with media

- (a) the Board may nominate a Director or appoint a public and media relation agency for this purpose; and
- (b) all media inquiries or contact with the media should be directed to the persons mentioned in G.1.3(a); and
- (c) comments to the media can only be issued by the persons mentioned in G.1.3(a).