

# CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholder's value. The Company has established a long-term business strategy in order to generate long-term risk adjusted returns for the shareholders of the Company (the "Shareholders"). Such discussions can be found in the relevant sections of "Chairman's Letter", "Management Discussion and Analysis" and "Environmental, Social and Governance (ESG) Report" of the Annual Report for the year ended 31 December 2023 of the Company (the "2023 Annual Report").

## Corporate Governance Code

In light of the Corporate Governance Code (the "CG Code") contained in Appendix C1 (former Appendix 14) to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2023, except for certain deviations as specified together with considered reasons for such deviations as explained below. The Board has reviewed the practices at least annually and made appropriate changes if considered necessary.

## The Board

During the year 2023 and up to the date of this report, the composition of the Board is set out as follows:

<b>Executive Directors:</b>	Lee Seng Huang <i>(Group Executive Chairman)</i> Brendan James McGraw <i>(appointed on 1 July 2023)</i>
<b>Non-Executive Directors:</b>	Simon Chow Wing Charn <i>(retired as an Executive Director and was re-designated as a Non-Executive Director on 1 July 2023)</i> Peter Anthony Curry
<b>Independent Non-Executive Directors:</b>	Evan Au Yang Chi Chun David Craig Bartlett Alan Stephen Jones Vivian Alexa Kao Jacqueline Alee Leung Wayne Robert Porritt

## Board Process

As at the date of this report, the Non-Executive Directors of the Company ("NEDs") (six of whom were Independent Non-Executive Directors ("INEDs")) provided the Company and its subsidiaries (collectively the "Group") with a wide range of expertise and experience. Their active participation in Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, at the same time taking into account the interests of all Shareholders.

Throughout the year and up to the date of this report, at least one of the INEDs has the appropriate professional qualifications or accounting or related financial management expertise specified under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to discuss the overall strategy as well as the operations and financial performance of the Group. The Board also meets to review and approve the Group's annual and interim results and other ad hoc matters which need to be dealt with by the Board. Relevant senior executives are invited to attend Board meetings to make presentations and answer the Board's enquiries.

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During the year, four Board meetings were held. Directors may participate in meeting in person, via telephone or video-conferencing. The individual attendance records of each Director at the meetings of the Board, Nomination Committee, Remuneration Committee, Audit Committee, Risk Management Committee, Environmental, Social and Governance Committee (also known as ESG Committee) and the annual general meeting of the Company during the year ended 31 December 2023 are set out as follows:

Name of Directors	Number of meetings attended/held						Annual General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee	Risk Management Committee	ESG Committee <sup>1</sup>	
<b>Executive Directors:</b>							
Lee Seng Huang	4/4	1/1					1/1
Brendan James McGraw <sup>2</sup>	2/2				5/5	1/1	
<b>Non-Executive Directors:</b>							
Simon Chow Wing Charn <sup>3</sup>	4/4				2/3		1/1
Peter Anthony Curry	4/4			3/3			1/1
<b>Independent Non-Executive Directors:</b>							
Evan Au Yang Chi Chun	4/4	1/1	1/1	3/3	5/5		1/1
David Craig Bartlett	4/4	1/1	1/1	3/3		1/1	0/1
Alan Stephen Jones	4/4	1/1	1/1	3/3			1/1
Vivian Alexa Kao	3/4				4/5	0/1	1/1
Jacqueline Alee Leung	4/4	0/1	0/1	2/3			0/1
Wayne Robert Porritt	4/4				5/5	1/1	1/1

*Notes:*

1. The ESG Committee was established on 16 August 2023.
2. Mr. Brendan James McGraw was appointed as an Executive Director on 1 July 2023. He has been a member of the Risk Management Committee since 5 July 2021.
3. Mr. Simon Chow Wing Charn retired as an Executive Director and was re-designated as a Non-Executive Director on 1 July 2023.

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The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, approval of Directors' appointment or re-appointment (based on the recommendations made by the Nomination Committee), material contracts and transactions, corporate governance as well as other significant policies and financial matters. The Board has delegated the daily operations and administration responsibilities to the executive management under the instruction/supervision of the Executive Committee which has its specific written terms of reference. The respective functions of the Board and management of the Company have been formalised and set out in writing. The Board reviews these procedures from time to time to ensure that they are consistent with the existing rules and regulations.

The Board is committed to ensuring independent views and input are available for the Board's discussion. The Chairman of the Board meets at least annually with INEDs without other Directors' present. Regular Board meetings of each year are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussions in the agenda. The agenda and the accompanying Board papers are normally sent to all Directors at least three days prior to the proposed date of a Board meeting (and so far as practicable for such other Board meetings). In addition, any Director may make request to the Chairman of the Board in writing to request for independent professional advice to assist the relevant Director to discharge his/her duties. During the year, the Board has reviewed the implementation and effectiveness of such mechanism to ensuring the availability of independent view to the Board.

The Company Secretary assists the Chairman in preparing the agenda for meetings, and ensures that all applicable rules and regulations are complied with. Draft minutes of each Board meeting are circulated to all Directors for their comment before being tabled at the following Board meeting for approval. Minutes of meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

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. The articles of association of the Company (the "Articles") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting on the relevant Board resolution and not be counted in the quorum at meetings of the Board for approving any contract or arrangement in which such Director or any of his/her close associate(s) has a material interest. The Board will also follow relevant rules stipulated in the Listing Rules in this regard.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, a written procedure has been established since June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

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## Directors' Continuous Professional Development

For continuous professional development, in addition to Directors' attendance at meetings and review of papers and circulars sent by management, Directors participated in the following activities:

Name of Directors	Reading regulatory updates	Attending seminars <sup>^</sup>
<b>Executive Directors:</b>		
Lee Seng Huang	✓	✓
Brendan James McGraw	✓	✓
<b>Non-Executive Directors:</b>		
Simon Chow Wing Charn	✓	✓
Peter Anthony Curry	✓	✓
<b>Independent Non-Executive Directors:</b>		
Evan Au Yang Chi Chun	✓	✓
David Craig Bartlett	✓	✓
Alan Stephen Jones	✓	✓
Vivian Alexa Kao	✓	✓
Jacqueline Alee Leung	✓	✓
Wayne Robert Porritt	✓	✓

<sup>^</sup> Including trainings/briefings/online seminars/conferences relevant to Directors' duties

## Roles of Chairman and Chief Executive

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisational structure of the Company, the functions of a chief executive are performed by the Group Executive Chairman, Mr. Lee Seng Huang, in conjunction with the Group Deputy Chief Executive Officer, Mr. Simon Chow Wing Charn ("Mr. Simon Chow") (who retired on 1 July 2023), the Deputy Chief Executive Officer, Mr. Antony James Edwards ("Mr. Antony Edwards") (effective from 1 December 2023), and the Group Chief Financial Officer, Mr. Brendan James McGraw ("Mr. Brendan McGraw"). The Group Executive Chairman oversees the Group's Investment Management ("IM") business with support from the management team of the division, as well as its interest in United Asia Finance Limited ("UAF") whose day-to-day management lies with its designated Chief Executive Officer. Mr. Simon Chow assisted the Group Executive Chairman in driving the performance of the Mortgage Loans and other operating businesses of the Group as well as exploring new areas of growth before his retirement, Mr. Antony Edwards assists the Group Executive Chairman on the strategic development of the Group and providing management oversight support to Funds Management business, whilst Mr. Brendan McGraw assists the Group Executive Chairman to oversee the Group's financial, treasury and risk management functions.

The Board believes that this structure spreads the workload that would otherwise be borne by an individual chief executive, allowing the growing businesses of the Group to be overseen by appropriately qualified and experienced senior executives in those fields. Furthermore, it enhances communications and speeds up the decision-making process across the Company. The Board also considers that this structure will not impair the balance of power and authority between the Board and management of the Company. An appropriate balance can be maintained by the operation of the Board, which holds at least four regular meetings a year to discuss business and operational issues of the Group.

The Group Executive Chairman is responsible for the leadership of the Board, ensuring that all key and significant issues are discussed by the Board in a timely and constructive manner, all Directors are properly briefed on issues arising at Board meetings, and the Directors receive in a timely manner, adequate information which is accurate, clear, complete and reliable.

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## Appointment and Re-Election of Directors

The terms of reference of the Nomination Committee include a nomination procedure specifying the process and criteria for selection and recommendation of candidates for directorships of the Company.

Every newly appointed Director will receive an induction package from the Company Secretary on the responsibilities and ongoing obligations to be observed by a Director pursuant to the Companies Ordinance, Listing Rules and Securities and Futures Ordinance. The package will also include materials briefly describing the operations and businesses of the Company, the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. Senior management will subsequently conduct such briefings as necessary to provide the new Director with detailed information on the Group's businesses and activities. In addition, a newly appointed Director will also receive legal advice from a firm of solicitors qualified to advise on Hong Kong law by way of a training regarding the functions, duties and obligations required of a director of a company listed on the Stock Exchange of Hong Kong and the responsibilities as a Director of the Company, including but not limited to, those set out in the Listing Rules and all other laws and regulations from time to time applicable and in force. Mr. Brendan McGraw was appointed as an Executive Director of the Company on 1 July 2023, and he received the training and obtained the legal advice from a firm of solicitors in Hong Kong on 18 July 2023.

Prior to 1 January 2023, the NEDs (including the INEDs) of the Company were appointed for a specific term of two years and were subject to the retirement by rotation and re-election requirements under the Articles or any other applicable laws. The term of appointment of the NEDs (including the INEDs) were renewed in December 2022 that with effect from 1 January 2023, the NEDs (including the INEDs) of the Company are not appointed for a specific term and shall hold office until terminated by either party by giving to the other not less than one month's prior notice in writing, and are subject to the relevant provisions of the Articles or any other applicable laws/rules whereby the Directors shall vacate or retire from their offices but are eligible for re-election.

According to Article 94 of the Articles, any Director appointed to fill a casual vacancy shall hold office until the Company's next following general meeting and shall be eligible for re-election. Any Director appointed as an addition to the Board shall hold office until the next following annual general meeting ("AGM") of the Company and shall be eligible for re-election at that meeting. Furthermore, pursuant to Article 103 of the Articles, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at least once every three years.

## Board Diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining an effective Board to enhance the quality of its performance. The Board has adopted the Board Diversity Policy on 1 September 2013 with an aim to promote broad experience and diversity on the Board. Such policy would be reviewed by the Board annually.

The objectives of the Board Diversity Policy include:

- (i) the Board should possess a balance of skills and experience appropriate for the requirements of the businesses of the Company. The Directors should have a mix of finance, legal and management qualifications with considerable experience in diversified businesses;
- (ii) selection of candidates for directorship will be based on a broad range of perspectives, including but not limited to gender, age, cultural and educational background, knowledge, professional experience or skills; and
- (iii) Directors (especially the NEDs) are encouraged to participate in Board meetings to bring an independent judgment, to promote critical review and to bring a wide range of business and financial experience to the Board which contributes to the effective direction of the Company.

Appointments to the Board should be made in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole and candidates will be considered against objectives, taking into account the Company's business and needs.

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The Board has reviewed, according to the Terms of Reference of the Board and through the Nomination Committee, the structure, size, composition and diversity of the Board, the implementation and effectiveness of the Board Diversity Policy as well as the nomination and appointment procedure of directors during the year. For the year ended 31 December 2023 and as at the date of this report, the Board consists of eight male Directors and two female Directors. The Board considered that the Board was sufficiently diverse in terms of gender, balance of skills and experience.

The gender ratio in the Company's workforce (including senior management) for the year ended 31 December 2023 is set out in the section entitled "Our People" and the "Performance Data Table" of the Environmental, Social and Governance (ESG) Report of the 2023 Annual Report. The Company will continue to take steps to promote gender diversity at all levels of the Group, including but not limited to the Board and the senior management levels.

## Corporate Governance Functions

To maintain a high standard of corporate governance within a sensible framework, with an emphasis on the principles of integrity, transparency, accountability and equity, the Company has adopted a Corporate Governance Policy and terms of reference of the Board with effect from 1 April 2012. Such policy and terms of reference would be reviewed by the Board annually.

The major duties of the Board in respect of performing corporate governance functions include:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices for compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manuals applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

In 2023 and up to the date of this report, the Board has performed its corporate governance duties in accordance with its terms of reference.

## Board Committees

The Board has established various committees, including the Nomination Committee, Remuneration Committee, Audit Committee, Executive Committee, Risk Management Committee and ESG Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting have been adopted for the committee meetings so far as practicable.

## Nomination Committee

The Nomination Committee has been established since April 2012 and at the date of this report consists of the Group Executive Chairman and four INEDs, including Messrs. Lee Seng Huang (Chairman), Evan Au Yang Chi Chun, David Craig Bartlett, Alan Stephen Jones and Ms. Jacqueline Alee Leung. The Nomination Committee is provided with sufficient resources to perform its duties, including, where necessary, to seek independent professional advice, at the Company's expense. The duties and authorities of the Nomination Committee are contained in its terms of reference, which fully comply with code provision B.3.1 of the CG Code and are available on the websites of the Stock Exchange and the Company.

The Nomination Committee has formulated and set out its nomination policy ("Nomination Policy") in its terms of reference. The objective of the Nomination Policy is to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's businesses. To ensure changes to the Board composition can be managed without undue disruption, a formal, considered and transparent procedure is in place for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

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The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company, contribution to the diversity of the Board and ability to effectively carry out the Board's responsibilities. Further details of the selection criteria and the procedure are set out in the terms of reference of the Nomination Committee.

The Nomination Committee will meet as and when necessary in accordance with its terms of reference. In 2023, one Nomination Committee meeting was held and the attendance of each member at the meeting is set out in the section headed "Board Process" of this report. The committee also dealt with some matters by way of circulation of written resolutions. The work performed by the Nomination Committee in 2023 is summarised as follows:

- (i) reviewed the structure, size, composition, diversity of the Board and the implementation and effectiveness of the Board Diversity Policy;
- (ii) assessed the independence of the INEDs;
- (iii) reviewed the proposed re-election of Directors at the 2023 AGM, with a recommendation to the Board for proposal to the Shareholders for approval at the meeting; and
- (iv) considered the re-designation of Mr. Simon Chow as a NED and the nomination of Mr. Brendan McGraw as an Executive Director with recommendations to the Board for approval.

After the end of the reporting period, a Nomination Committee meeting was held in March 2024 to review the structure, size, composition and diversity of the Board, the implementation and effectiveness of the Board Diversity Policy, review the Board succession planning, assess the independence of the INEDs and review the proposal for re-election of Directors at the coming 2024 AGM.

## Remuneration Committee

The Remuneration Committee has been established since April 1985 and at the date of this report consists of four INEDs including Messrs. Evan Au Yang Chi Chun (Chairman), David Craig Bartlett, Alan Stephen Jones and Ms. Jacqueline Alee Leung. The Remuneration Committee is provided with sufficient resources to perform its duties, and, where necessary, to seek independent professional advice, at the Company's expense. The duties and authorities of the Remuneration Committee are contained in its terms of reference which are available on the websites of the Stock Exchange and the Company.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with code provision E.1.2 of the CG Code but with a deviation from the code provision that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision). The reasons for the above derivations are summarised as below:

- (i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors; and
- (ii) the Executive Directors must be in a position to supervise and control senior management and thus should be able to control their compensation.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One Remuneration Committee meeting was held in 2023 and the attendance of each member at the meeting is set out in the section headed "Board Process" of this report. The committee also dealt with some matters by way of circulation of written resolutions.

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The work performed by the Remuneration Committee during 2023 is summarised as follows:

- (i) reviewed the existing policy and structure for the remuneration packages of Directors;
- (ii) considered the compensation review update carried out by an independent professional consultant for the remuneration policy, structure, benchmarking and quantum of remuneration for Executive Directors;
- (iii) reviewed the remuneration packages of the Executive Directors;
- (iv) reviewed the bonuses for the year ended 31 December 2022 for the two Executive Directors, with a recommendation to the Board for approval;
- (v) reviewed the remuneration of all Directors with recommendations to the Board for approval;
- (vi) considered the remuneration package of Mr. Simon Chow in relation to his re-designation as a NED and the remuneration package of Mr. Brendan McGraw in relation to his appointment as an Executive Director with recommendations to the Board for approval; and
- (vii) considered the amendments to the rules of the share award scheme and to the relevant trust deed with recommendations to the Board for approval.

Each of the NEDs (including INEDs) is entitled to a director's fee. Remuneration packages of the Directors for their responsibilities and services was determined according to their respective contractual terms under their employment contracts or appointment letters as approved by the Board on the recommendation of the Remuneration Committee.

Directors' remuneration would be determined with reference to his/her duties and responsibilities with the Company, the prevailing market conditions and the terms of the Company's remuneration policy. Details of the Directors' remuneration for the year ended 31 December 2023 are set out in Note 8(a) to the consolidated financial statements in the 2023 Annual Report. In addition, the five highest paid individuals in the Group and the annual remuneration payable to members of senior management by band are set out in Notes 8(b) and 8(c) to the consolidated financial statements in the 2023 Annual Report, and the movement of share awards granted to the Directors (if any) and the five highest paid individuals of the Group during the reporting year are set out in the section entitled "Share Award Scheme" of the Directors' Report of the 2023 Annual Report.

As at 31 December 2023, the Group's total staff numbered 1,087 (31 December 2022: 1,608). Out of this, 77 (31 December 2022: 76) are corporate and investment staff and the remainder are within the main subsidiaries UAF and SHK Credit. The net decrease in staff numbers was a result of the ongoing branch consolidation in the Consumer Finance business in Mainland China, as the business migrated further online and made continuous efforts in driving cost efficiency. Total staff costs amounted to HK\$625.8 million (2022: HK\$625.8 million), flat year-on-year as the decrease associated with the decline in staff number was partially offset by the increase in performance-related compensation.

The Group adopts various compensation structures as relevant to different job roles and functions within the organisation. For most staff, compensation comprises base salary with bonus or performance-based incentives, as appropriate. The remuneration packages of employees in a sales function consist of a base pay and commission, bonus or performance-based incentives as appropriate. In addition to monetary reward, the Group also provides competitive fringe benefits to attract and retain the best talent, e.g. Medical and Dental Benefit Enhancement and Unlimited Annual Leave policy.

The Group values its people as our greatest asset. We believe that a competent and motivated workforce, able to work in comfortable conditions, is integral to the sustainable growth of our business. In line with our business strategies and continued development and retention of a high-performance team, the Group supports employee engagement activities and professional development with in-person training and online learning platforms.

After the end of the reporting period, a Remuneration Committee meeting was held in March 2024 to review the summary compensation report which includes the information provided by an independent professional consultant, policy and structure of Directors' remuneration, and remuneration packages of the Directors.

## Audit Committee

The Audit Committee has been established since April 1985 and at the date of this report consists of four INEDs and one NED. To retain independence and objectivity, the Audit Committee is chaired by an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Messrs. Alan Stephen Jones (Chairman), Evan Au Yang Chi Chun, David Craig Bartlett, Ms. Jacqueline Alee Leung and Mr. Peter Anthony Curry. The Audit Committee is provided with sufficient resources to perform its duties and has access to independent professional advice according to the Company's policy, when necessary. The responsibilities and duties of the Audit Committee are contained in its terms of reference which are available on the websites of the Stock Exchange and the Company.



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The terms of reference of the Audit Committee of the Company are revised from time to time to comply with the code provision D.3.3 of the CG Code, but with deviations from the code provision regarding the Audit Committee's responsibilities to:

- (i) implement policy on the engagement of the external auditor to supply non-audit services;
- (ii) ensure that management has performed its duty to have effective risk management and internal control systems;
- (iii) ensure co-ordination between the internal and external auditors; and
- (iv) ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Board considers that the Audit Committee of the Company shall recommend (as opposed to implement under the code provision) the policy on engaging the external auditor to supply non-audit services for the following reasons:

- (i) it is proper and appropriate for the Board and its committees to develop policy and make appropriate recommendations;
- (ii) the proper and appropriate mechanism for implementation of such policy and recommendations is through the Executive Directors and management; and
- (iii) the INEDs are not in an effective position to implement the policy and follow up implementation of the same on a day-to-day basis.

Furthermore, the Board considers that the Audit Committee only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective risk management and internal control systems. The Audit Committee is not equipped to ensure that the same is in place, as this would involve day-to-day supervision and the employment of permanent experts. The Audit Committee is not in a position to ensure coordination between the internal and external auditors, but it can promote the same. Similarly, the Audit Committee cannot ensure that the internal audit function is adequately resourced and has appropriate standing within the Company but it can check whether it is adequately resourced and has appropriate standing within the Company, and recommend the correction of any identified deficiency.

The Audit Committee shall meet at least three times a year in accordance with its terms of reference. Three Audit Committee meetings were held in 2023 and the attendance of each member at each meeting is set out in the section headed "Board Process" of this report. The Audit Committee also dealt with some matters by way of circulation of written resolutions.

The work performed by the Audit Committee in 2023 and up to the date of this report is summarised as follows:

- (i) considered and approved the terms of engagement and fees proposed by the external auditor regarding the interim results review for the six months ended 30 June 2023 and the final audit of the Group for the years ended 31 December 2022 and 2023;
- (ii) considered the audit plan for the year ended 31 December 2023;
- (iii) reviewed the reports from the external auditor, management representation letters in relation to the final audit of the financial statements of the Group for the years ended 31 December 2022 and 2023;
- (iv) reviewed the report from the external auditor and management representation letter in relation to the interim results review of the financial statements of the Group for the six months ended 30 June 2023;
- (v) reviewed the financial reports of the Company for the years ended 31 December 2022 and 2023, and for the six months ended 30 June 2023, and recommended approval by the Board;
- (vi) reviewed the management report on key financial matters;
- (vii) reviewed the effectiveness of the risk management and internal control system and recommended action to the Board where appropriate;
- (viii) reviewed various internal audit review reports prepared by the internal audit function and the 2024 internal audit plan;
- (ix) reviewed the risk management report; and
- (x) considered and approved the non-assurance services pre-approval policy for non-assurance services provided by the external auditor.

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## Executive Committee

The Executive Committee (the “Exco”) has been established since November 1983 and at the date of this report consists of two Executive Directors, Messrs. Lee Seng Huang (Chairman) and Brendan McGraw. The Exco is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board’s decision and approval pursuant to the terms of reference of the Exco.

The Exco is mainly responsible for undertaking and supervising the day-to-day management of the Group, and is empowered, subject to the general policies adopted by the Board:

- (i) to formulate and implement policies for the business activities, internal control and administration of the Group; and
- (ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

## Risk Management Committee

The Risk Management Committee (the “RMC”) has been established since January 2007. As at the date of this report, it consists of three INEDS, an Executive Director, the Deputy Chief Executive Officer, Group Head of Legal & Compliance, Chief Risk Officer of UAF and Enterprise Risk Management (ERM) Coordinator, being Messrs. Wayne Robert Porritt (Chairman), Evan Au Yang Chi Chun, Ms. Vivian Alexa Kao, Messrs. Brendan McGraw, Antony Edwards, Ms. Phoebe Yuen Oi Ying, Mr. Ko Man Fly and Mr. Wong Kin Wing respectively.

The major roles and responsibilities of the RMC are:

- (i) to analyse and define risks likely to be encountered by the Group in the various aspects of its operation;
- (ii) to ensure through appropriate mechanisms including setting up committee(s) and supervision by division/department heads, adequate review, assessment, and monitoring the risks which may be encountered by the Group and the effectiveness of the Group’s systems of risk management and internal controls, including but not limited to, financial, operational and compliance controls and risk management functions; and
- (iii) to act as a provider of assurance (in conjunction with the Group’s internal audit function and the Group’s external auditor) to the Board in its annual review of:
  - (a) the changes in the nature and extent of significant risks likely to be encountered by the Group since the last annual review, and the Group’s ability to respond to such changes in its business activities and external environment;
  - (b) the scope and quality of management’s ongoing monitoring of risks and system of internal controls;
  - (c) the adequacy of the extent and frequency of the communication of the results of monitoring to the Board enabling it and the Audit Committee to develop a cumulative assessment of the state of control in the Group and the effectiveness with which risk is being managed;
  - (d) any major incident that poses substantial risk and/or loss exposure to the Group, whether actual loss is incurred or not; in the event of likely or actual violations of any applicable laws, regulations, regulatory guidelines/codes; significant internal policies, operational or technological failures; and any other significant events that may expose the Group to substantial reputational risk;
  - (e) the effectiveness of the Group’s processes relating to financial reporting and Listing Rules compliance; and
  - (f) all other relevant issues appropriate to risk identification and management and internal control issues.

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The RMC will normally meet four times per year and additional meetings may be called as directed by the chairman of the RMC. Five RMC meetings were held in 2023 and the attendance of the Directors at each meeting is set out in the section headed “Board Process” of this report.

Apart from committee meetings, the RMC also dealt with some matters by way of circulation of written resolutions. The work performed by the RMC during the year and up to the date of this report is summarized as follows:

- (i) monitoring of financial risks, including the foreign exchange exposure of the Group’s investment portfolio, liquidity risk, equity risk, credit risk, interest rate risk and emerging risks;
- (ii) review of the risk management reports from the Group’s IM business, Funds Management business, Private Credit, UAF, Sun Hung Kai Credit, Operations and Legal and Compliance;
- (iii) review of the risk management reports of the Group for 2022 and 2023;
- (iv) review and assessment of the completed responsibility statements from the relevant business units and department heads regarding their risk management, compliance and internal control procedures for the financial years ended 31 December 2022 and 2023;
- (v) review of cyber security risk management and business continuity plan of the Group;
- (vi) consideration of the adoption of liquidity coverage ratio model for the Group’s business; and in-depth reviews of interest rate risk sensitivity analysis and equity risk of IM business;
- (vii) review of the quarterly ERM reports and review the risk heat map, risk appetites and risk metrics in view of business strategies and macro environment with recommendation to the Board for adoption;
- (viii) review of the internal audit progress reports relating to risk management;
- (ix) considered the establishment of ESG board committee with recommendation to the Board for approval; and
- (x) review and consideration of the ESG work plan, the ESG Rating Gap Analysis prepared by the external consultant and the ESG Report for 2022.

## ESG Committee

The Board acknowledged the importance of ESG matters (including ESG risks) and established a board-level ESG Committee in August 2023, replacing the ESG Working Committee. As of the date of this report, the committee consists of three INEDs, an Executive Director, the Deputy Chief Executive Officer, a representative from the business unit, and heads of supporting functions who are responsible for “Environmental”, “Social” and “Governance” matters, being Ms. Vivian Alexa Kao (Chairman), Messrs. Wayne Robert Porritt (as Co-Chair during 2023), David Craig Bartlett, Brendan McGraw, Antony Edwards, Gary Chan Ming Tak, Ms. Yeung Mei, Ms. Samantha Che Chi Wing and Ms. Phoebe Yuen Oi Ying respectively.

The major responsibilities of the ESG Committee are:

- (i) to review, establish and endorse ESG objectives, priorities, strategies, policies and frameworks and make recommendations to the Board for approval;
- (ii) to monitor and assess existing and/or emerging ESG trends and issues related to the Group’s ESG objectives, priorities and strategies;
- (iii) to review and oversee the implementation of the Group’s ESG policies and practices to ensure that they remain relevant for the purposes and compliant with the applicable legal and regulatory requirements;
- (iv) to review performance of the Group against agreed ESG targets and recommend measures for improvements;
- (v) to identify, monitor and assess ESG risks (including climate-related risks) that are material to the Group; review the integration of the ESG related risks into the Group’s broader risk management and internal control system and report to the Board on any material risks and recommend measures to manage the risks;
- (vi) to consider the environmental and social impact of how the Group conducts its business on its stakeholders and the environment; and
- (vii) to review the Company’s annual ESG Report and other ESG related disclosures, and provide recommendations to the Board for approval.

# CORPORATE GOVERNANCE REPORT

The ESG Committee will normally meet twice a year or as directed by the chairman of the ESG Committee. Since its establishment on 16 August 2023, one ESG Committee meeting was held in 2023 and the attendance of the Directors at the meeting is set out in the section headed “Board Process” of this report.

Apart from committee meetings, the ESG Committee also deals with matters by way of circulation of written resolutions when necessary. The work performed by the ESG Committee during the year and up to the date of this report is summarised as follows:

- (i) received reports on the ESG work status and ESG risk rating;
- (ii) reviewed the Group’s ESG objectives and priorities;
- (iii) discussed the requirements on ESG Reporting;
- (iv) reviewed the ESG targets, training plan for the Directors and the staff;
- (v) considered the formulation of a framework for responsible investment policy; and
- (vi) reviewed the ESG report for the year ended 31 December 2023 with recommendations to the Board for approval.

## Risk Management and Internal Control

The Board acknowledges its responsibility for the establishment and maintenance of sound and effective risk management and internal control systems to safeguard the Group’s corporate interests.

Since its establishment in 2007, the Group’s RMC has been delegated with the responsibility to assist the Board to review, assess and monitor the various risks, including ESG risks (until the establishment of the ESG Committee in August 2023) which may be encountered by the Group and the effectiveness of the Group’s risk management system. The functions and compositions of the RMC are set out in the “Board Committees” section in the earlier part of this report and the risk management mechanism is set out in the “Risk Management Report” in the 2023 Annual Report.

The Group’s risk management culture is critical to the effectiveness of the risk management framework. The principal risks are determined through a consideration of the strategy, external risk factors, the operating environment of the Group including risks identified by our peers, and an analysis of individual processes and procedures.

The review of the Group’s principal risks focuses on identifying those risks that could threaten the business model, future performance, capital or liquidity of the business. In identifying these risks, consideration is given to external developments, regulatory expectations and market standards. Our focus includes strategic risk, credit risk, market risk, liquidity risk, operational risk, legal and compliance risk, external risk and human resource risk.

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory/legislative change and macroeconomic and political change, which in the current year have included economic and geopolitical uncertainty and cybersecurity risk etc.

The Group’s risk management and internal control approach is designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage prudently but not completely eliminate the risk of system failure. Processes and procedures are put in place to identify, manage and control the risks of different businesses and activities. More detailed discussions of different types of risks are set out in the “Risk Management Report” in the 2023 Annual Report and in Note 47 to the consolidated financial statements — Financial Risk Management in the 2023 Annual Report.

In addition to safeguarding the Group’s corporate interests, the internal control framework is to maintain proper accounting records and to comply with relevant laws and regulations. It provides an independent and objective assurance to safeguard the Group’s operations. The Group’s internal control functions are either carried by internal audit teams for material subsidiaries or independent internal auditor. Together with the RMC and the Audit Committee, they play an important role in assuring the Board and management that a sound internal control system is being implemented, maintained, and relevant regulatory requirements are complied with.

Internal audit is an independent control function reporting to the Audit Committee. It applies a systematic and disciplined approach to analyse and independently appraise the adequacy and effectiveness of the Group’s risk management and internal control systems. The audit plans, having agreed by the Audit Committee, are risk-based to ensure that a methodical coverage of the Group’s operations and resources are focused on high risk areas. Ad hoc reviews are conducted on areas of concern where necessary. Internal audit reports are issued to the Audit Committee, relevant senior management and division/department/team heads.

# CORPORATE GOVERNANCE REPORT

Each year, a Group-wide self-assessment is conducted on the effectiveness of the risk management and internal control framework covering all major areas such as front office, legal, finance and operations with the purposes of assessing and documenting key risks to enable control improvement. The assessment is performed by the divisions and co-ordinated by the Group Chief Financial Officer who reports directly to the Group Executive Chairman. Such review results are reflected in the risk register of each sector and summarised as a heat map of the Group. Such results, findings and heatmap are reported to the RMC, Audit Committee and the Board which have been considered effective and adequate. Other monitoring and review on risk exposures to formulate risk management policies is also co-ordinated by the Group Chief Financial Officer.

Management reviews are conducted on new processes and systems to ensure that policies and procedures are updated in accordance with the ever changing risk-related environment. The Group also engages external consultants on an ad-hoc basis to perform independent reviews covering significant parts of the Group's operations, when necessary.

The Board, through the Audit Committee and the Risk Management Committee, reviews the adequacy of resources, training programmes, budget, qualifications and experience of the accounting, internal audit and financial reporting staff. The RMC, the Audit Committee and the Board review the effectiveness of the risk management and internal control processes of the Group and fulfill the requirements of the CG Code regarding risk management and internal control processes in general.

## Accountability and Audit

### Financial Reporting

The Directors acknowledge their responsibility, with the support of the Finance Department, for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 31 December 2023, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance have been complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent and reasonable, and have ensured that the consolidated financial statements are prepared on a going concern basis.

The reporting responsibilities of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), are set out in the "Independent Auditor's Report" of the 2023 Annual Report.

### External Auditor's Remuneration

During the year, the remuneration paid to Deloitte is set out as follows:

	<b>Fees paid</b> <i>(Note)</i> <i>(HK\$ Million)</i>
<b>Services rendered for the Group</b>	
Audit services	6.2
Non-audit services (taxation and other professional services)	1.5
<b>Total</b>	<b>7.7</b>

Note: Fees paid during the year includes amount accrued in 2022.

# CORPORATE GOVERNANCE REPORT

## Disclosure of Inside Information Policy

The Board has adopted the Disclosure of Inside Information Policy (the "Policy") effective on 1 January 2013 with respect to the procedures and internal controls for the handling and dissemination of inside information. The Policy sets out guidelines and procedures to the directors and relevant officers of the Group to ensure inside information of the Group is to be disseminated to the public in an equal and timely manner. Directors and relevant officers in possession of potential inside information and/or inside information are required to take reasonable measures to ensure that proper safeguards are in place to preserve strict confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain the information confidential. The Policy shall be updated and revised as and when necessary in light of changes in circumstances and changes in the Listing Rules, Part XIVA of the Securities and Futures Ordinance and relevant statutory and regulatory requirements from time to time.

## Whistleblowing Policy and Anti-Bribery and Anti-Corruption Policy

The Board has adopted the Whistleblowing Policy and system for employees and those who deal with the Group to raise concern, in confidence and anonymity, if required and appropriate, with the Audit Committee of the Company about possible improprieties in any matter related to the Group.

The Board has also adopted the Anti-Bribery and Anti-Corruption Policy in November 2022 setting out responsibilities of the Group's employees to identify and prevent bribery and corruption in order to protect the integrity and reputation of the Group.

## Company Secretary

Mr. Lee Sze Wai is an employee and the Company Secretary of the Company. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Group Executive Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors as well as with Shareholders and management.

Mr. Lee is a member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. During 2023, Mr. Lee undertook over 15 hours of relevant professional training to update his skills and knowledge.

## Codes for Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 (former Appendix 10) to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specified enquiries of all the Directors, they have confirmed that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees, to regulate dealings in the securities of the Company by relevant employees of the Company or any of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities.

## Communication with Shareholders and Shareholders' Communication Policy

The Board recognises the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents, together with the latest corporate information and news, are also made available on the Company's website.

The Company's general meetings are valuable forums for the Board to communicate directly with Shareholders. Code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and 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 their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules should also be available to answer questions at any general meeting of the shareholders to approve a connected transaction or any other transaction that requires independent shareholders' approval.

# CORPORATE GOVERNANCE REPORT

Code provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

The 2023 AGM was held on 18 May 2023 and seven out of nine Directors attended the meeting. For details of the Directors' attendance at the general meeting, please refer to the attendance record of the Directors set out in the section headed "Board Process" of this report. Separate resolutions are proposed at the AGM for each substantial issue, including the re-election of retiring Directors.

Notice of meetings to Shareholders is to be sent in the case of the AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to Shareholders at the commencement of the meeting. The chairman of the meeting answers questions from Shareholders regarding voting by way of a poll. The poll results of the resolutions are thereafter published in the manner prescribed under the requirements of the Listing Rules.

Shareholder(s) representing at least 5% of the total voting rights of all Shareholders having the right to vote at general meetings of the Company can request to convene an extraordinary general meeting according to Article 67 of the Articles and Section 566 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong). The business proposed to be transacted at the meeting must be stated in the related requisition which must be signed and deposited at the registered office of the Company. Besides, Shareholders may make a proposal at a Shareholders' meeting by submitting the proposed resolution in written form to the Board at the registered office of the Company, which shall clearly and concisely set out the proposal for discussion and be relevant to the Company's business scope.

The Board adopted the Shareholders' Communication Policy in March 2012 which sets out the channels of communication with the Shareholders and other stakeholders, including corporate communication which includes documents issued by the Company for the information and action of Shareholders including but not limited to annual/interim report, circulars and announcements, Shareholders' meetings, corporate website and the rights of Shareholders for convening general meeting. Shareholders may also make reasonable enquiries to the Company for information regarding the Company which has been made publicly available. Such enquiries should be directed to the Company Secretary at the Company's registered office. If a Shareholder wishes to make an enquiry to the Board, it must be served at the registered office for the attention of the Company Secretary. In addition, Shareholders can contact Tricor Secretaries Limited, the share registrar of the Company, for any questions about their shareholdings.

The Articles is available on the websites of the Stock Exchange and the Company. There was no change in the Articles during the year.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the year and considered that the policy was able to facilitate an open and on-going communication with its shareholders on fair disclosure basis.

## Dividend Policy

The Board has adopted the Company's Dividend Policy at its meeting in November 2018. The Company's Dividend Policy aims at providing reasonable and sustainable returns to Shareholders whilst maintaining a position of financial stability which allows the Company to take advantage of any investment and expansion opportunities that may arise from time to time.

# CORPORATE GOVERNANCE REPORT

The Board may declare or propose dividends on an annual basis and/or may declare interim dividends or special dividends. The proposal or declaration of dividends by the Board is subject to consideration of the Company's and the Group's operating results, accumulated and future earnings, gearing, liquidity position, capital commitment requirement and future expansion plan as well as general economic conditions and external factors that may have impact on the financial performance and position of the Company and the Group. In addition, as the Company is a holding company, the Board will also consider the dividends received from its subsidiaries as the ability to pay dividends by the Company is dependent on the dividends received from those subsidiaries.

The Board will regularly review the dividend policy and will amend and/or modify the dividend policy if necessary.

## Corporate Governance Enhancement

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code, but about promoting and developing an ethical and healthy corporate culture. We will continue to review, and where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

**Lee Seng Huang**

*Group Executive Chairman*

Hong Kong, 21 March 2024