

# CORPORATE GOVERNANCE REPORT

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The Board of Directors of the Company (the “Board”) is committed to maintaining good corporate governance. The Board believes that good corporate governance principles and practices should emphasise accountability and an increase in transparency which will enable the Group’s stakeholders, including shareholders, investors, customers, suppliers, employees and the community to have trust and faith in the Group to take care of their needs and to fulfill its social responsibility.

## Corporate Governance Practices

During the year ended 31st December 2018, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The below sets out the corporate governance principles and practices adopted by the Group which indicate how the Group has applied relevant principles in the Corporate Governance Code.

## Board of Directors

### *Responsibilities of Directors*

The Board is ultimately accountable for the Group’s activities, strategies and financial performance, which includes formulating business development strategies, directing and supervising the Group’s affairs, reviewing the financial statements and budget proposal of the Group, approving interim reports, annual reports and announcements of interim results and annual results, considering dividend policy, reviewing the effectiveness of the risk management and internal control systems and so on.

The day-to-day management, administration and operation of the Group are delegated to the management team. The Board gives clear directions to the management team as to their powers of management, and circumstances in which the management team should report back.

Newly appointed Directors will be arranged a comprehensive, formal and tailored induction which includes provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations; a briefing on the Group’s structure, businesses, risk management and other governance practices and meeting with other fellow Directors so as to help the newly appointed Directors familiarise with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Group.

To ensure that Directors’ contribution to the Board/committees remains informed, continuous professional development are provided for Directors to develop and refresh their knowledge, skills and understanding of the business and markets in which the Group operates. Directors are also provided with monthly updates of the Group’s development, and information such as performance and key operational highlights to enable the Board as a whole and each Director to discharge their duties.

All Directors have participated in appropriate continuous professional development and provided the Company with their records of training they received for the year ended 31st December 2018.

During the year ended 31st December 2018, all Directors participated in the training which included reading regulatory updates or information relevant to the Group or its business and attending or giving talks at seminars and/or conferences.

## Board of Directors (Continued)

### Responsibilities of Directors (Continued)

Directors	Training
<b>Non-executive Directors</b>	
Dr. the Hon. Lee Shau-kee (Chairman)	✓
Dr. Colin Lam Ko-yin	✓
Dr. Lee Ka-kit	✓
Mr. Lee Ka-shing	✓
<b>Independent Non-executive Directors</b>	
Mr. Leung Hay-man*	✓
Dr. the Hon. Sir David Li Kwok-po	✓
Prof. Poon Chung-kwong	✓
<b>Executive Directors</b>	
Mr. Alfred Chan Wing-kin	✓
Mr. Peter Wong Wai-yee	✓

\* Mr. Leung Hay-man passed away on 11th October 2018.

Every Director ensures that he gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his appointment the directorships held in other listed companies or nature of offices held in public organisations and other significant commitment. The Company has also requested the Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company their time commitment.

Appropriate insurance cover on Directors' liabilities has been in force to protect the Directors of the Group from risks arising from the businesses of the Group.

### Corporate Governance Functions

The Board has undertaken the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the code provision of Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report.

During the year ended 31st December 2018, the Board reviewed the Company's policies and practices on corporate governance and the disclosure in the Corporate Governance Report. The Board also adopted in August 2018 an Anti-Fraud Policy which aims to promote an ethical culture, facilitate the continuous control's enhancement to detect and prevent fraud, and to foster consistent organisational behaviour. The Anti-Fraud Policy applies to all employees, including directors and staff at all levels, of the Company and its subsidiaries, joint ventures or companies in which the Company holds a controlling interest. All of the business partners, including joint venture partners, associated companies, agents, consultants, contractors and suppliers are encouraged to follow the principles of the Anti-Fraud Policy.

## **Board of Directors** (Continued)

### ***Board Diversity Policy***

The Board adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to professional experience, skills, knowledge, cultural and educational background, ethnicity, age and gender. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

### ***Nomination Policy***

The Board adopted a Nomination Policy which aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirement of the Company's businesses.

Pursuant to the Nomination Policy, the Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

- Reputation for integrity
- Business experience relevant and beneficial to the Company
- Willingness to devote adequate time to discharge duties as a member of the Board
- Board Diversity Policy for achieving diversity on the Board

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee identifies individual(s) suitably qualified to become board members, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate. The Nomination Committee makes recommendation(s) to the Board. The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy and confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board will be subject to election by the shareholders of the Company ("Shareholders") at the next following annual general meeting of the Company (the "AGM") or the next following general meeting in the case of filling a casual vacancy in accordance with the Company's Articles of Association (the "Articles of Association"). Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

The Nomination Committee also considers each retiring Director, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of each retiring independent non-executive Director. The Nomination Committee makes recommendation(s) to the Board. The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy and recommends the retiring Directors to stand for re-appointment at the AGM in accordance with the Articles of Association. Shareholders approve the re-appointment of Directors at the AGM.

The Board shall have the ultimate responsibility for all matters relating to selection and appointment of Directors. The Nomination Committee will monitor the implementation of the Nomination Policy and from time to time review it, as appropriate, to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

## **Board of Directors** (Continued)

### **Board Composition**

The Board currently has two Executive Directors and seven Non-executive Directors. Three of the seven Non-executive Directors are independent to ensure that proposed strategies protect all shareholders' interests.

During the year ended 31st December 2018 and up to the date of publication of this Annual Report, the Directors of the Company are set out below:

### **Non-executive Directors**

Dr. the Hon. Lee Shau-kee (Chairman)  
Dr. Colin Lam Ko-yin  
Dr. Lee Ka-kit  
Mr. Lee Ka-shing

### **Independent Non-executive Directors**

Mr. Leung Hay-man (*passed away on 11th October 2018*)  
Dr. the Hon. Sir David Li Kwok-po  
Prof. Poon Chung-kwong  
Dr. Moses Cheng Mo-chi (*appointed on 14th January 2019*)

### **Executive Directors**

Mr. Alfred Chan Wing-kin  
Mr. Peter Wong Wai-yee

As disclosed in the announcement of the Company dated 30th October 2018, following the passing away of Mr. Leung Hay-man on 11th October 2018, the Company had two Independent Non-executive Directors and did not meet the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. With the appointment of Dr. Moses Cheng Mo-chi as Independent Non-executive Director on 14th January 2019, the Board comprises three Independent Non-executive Directors representing one-third of the members of the Board, which fulfils the requirements under Rules 3.10(1) and 3.10A of the Listing Rules.

The Company received from each of the Independent Non-executive Directors confirmation in writing of their independence pursuant to Rule 3.13 of the Listing Rules and considered them as independent.

Biographical details of the Directors and relevant relationships among them are set out from pages 17 to 20 of this Annual Report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the Directors. A List of Directors and their Role and Function is available on both the websites of The Stock Exchange of Hong Kong Limited (the "Exchange") and the Company.

According to the Articles of Association, one-third of all the directors are subject to retirement by rotation at every AGM. Subject to the provisions contained in the Articles of Association, the term of office of all Non-executive Directors (including Independent Non-executive Directors) shall expire on 31st December 2020.

### **Chairman of the Board and Managing Director**

The Chairman of the Board is Dr. the Hon. Lee Shau-kee and the Managing Director is Mr. Alfred Chan Wing-kin. The roles of the Chairman of the Board and the Managing Director are separate and are not performed by the same individual. The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and, with the support of Executive Directors and the Company Secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive, in a timely manner, adequate and reliable information. The Managing Director is responsible for managing the business of the Group and leading the management team to implement strategies and objectives adopted by the Board. Their respective responsibilities are clearly established and set out in writing.

## Board of Directors (Continued)

### Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals. The Directors can attend meetings in person or through electronic means of communication in accordance with the Articles of Association.

During the year ended 31st December 2018, the Board met four times. The attendance record of each Director at the Board meetings during the year ended 31st December 2018 is set out below:

Directors	No. of Meetings Attended / Held
<b>Non-executive Directors</b>	
Dr. the Hon. Lee Shau-kee (Chairman)	4/4
Dr. Colin Lam Ko-yin	4/4
Dr. Lee Ka-kit	4/4
Mr. Lee Ka-shing	4/4
<b>Independent Non-executive Directors</b>	
Mr. Leung Hay-man*	0/3
Dr. the Hon. Sir David Li Kwok-po	4/4
Prof. Poon Chung-kwong	4/4
<b>Executive Directors</b>	
Mr. Alfred Chan Wing-kin	4/4
Mr. Peter Wong Wai-yee	4/4

\* Mr. Leung Hay-man passed away on 11th October 2018.

Regular Board meetings of the year are scheduled in advance and at least 14 days' notice is given to all Directors so as to give them an opportunity to attend. Meeting agenda and accompanying meeting papers are sent to all relevant Directors at least 3 days before the date of a Board or committee meeting to enable the Directors to make informed decisions on matters to be raised at the meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings.

In addition, Directors at all times have full and timely access to all information on the Group and may seek independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

### Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry by the Company, all Directors confirmed that they had fully complied with the required standard set out in the Model Code throughout the year ended 31st December 2018.

The Board has also established written guidelines for relevant employees, including certain employees of the Company, certain directors or employees of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities (the "Relevant Employees"), in respect of their dealings in the Company's securities.

## Board of Directors (Continued)

### *Directors' Responsibility for the Financial Statements*

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31st December 2018, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on a going concern basis in accordance with statutory requirements and applicable accounting standards. The Directors shall ensure the publication of the Group's financial statements in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report from pages 85 to 90 of this Annual Report.

## Board Committees

The Board has established the following Board committees to oversee particular aspects of the Company's affairs:

### *Board Audit and Risk Committee*

The Board Audit and Risk Committee (formerly known as Audit Committee) was formed in May 1996. The members of the Board Audit and Risk Committee are Dr. the Hon. Sir David Li Kwok-po (Chairman of the Board Audit and Risk Committee), Mr. Leung Hay-man (who passed away on 11th October 2018), Prof. Poon Chung-kwong and Dr. Moses Cheng Mo-chi (who was appointed on 14th January 2019). Following the passing away of Mr. Leung Hay-man on 11th October 2018, the Board Audit and Risk Committee had two members and did not meet the requirement under Rule 3.21 of the Listing Rules. With the appointment of Dr. Moses Cheng Mo-chi, the Board Audit and Risk Committee comprises a minimum of three members, which fulfils the requirement under Rule 3.21 of the Listing Rules. All members are Independent Non-executive Directors. The Chairman of the Board Audit and Risk Committee has the appropriate professional qualification as required by the Listing Rules.

The principal duty of the Board Audit and Risk Committee is to assist the Board in fulfilling its audit and control-related duties through the review of the Company's financial reporting, risk management and internal control systems. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Company has adopted written terms of reference for the Board Audit and Risk Committee that clearly define the role, authority and function of the Board Audit and Risk Committee. The terms of reference of the Board Audit and Risk Committee are available on both the websites of the Exchange and the Company.

The Board Audit and Risk Committee held two meetings during the year ended 31st December 2018 and the following sets out a summary of the work of the Board Audit and Risk Committee during the year under review:

- review of the financial reports for 2017 annual results and 2018 interim results;
- recommendation to the Board, for the approval by shareholders, of the re-appointment of PricewaterhouseCoopers as the external Auditor and approval of their remuneration;
- determination of the nature and scope of the audit;
- review of the financial and accounting policies and practices of the Company;
- adoption of an Anti-Fraud Policy with recommendation to the Board;
- review of the effectiveness of the Company's financial control and risk management and internal control systems, including the review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and
- review of the terms of reference of the Board Audit and Risk Committee with recommendation to the Board.

## Board of Directors (Continued)

### Board Audit and Risk Committee (Continued)

The attendance record of each member at the Board Audit and Risk Committee meetings during the year ended 31st December 2018 is set out below:

Board Audit and Risk Committee Members	No. of Meetings Attended / Held
Dr. the Hon. Sir David Li Kwok-po (Chairman)	2/2
Mr. Leung Hay-man*	1/2
Prof. Poon Chung-kwong	2/2

\* Mr. Leung Hay-man passed away on 11th October 2018.

### Remuneration Committee

The Company established a Remuneration Committee on 7th September 2005. The Remuneration Committee is chaired by Dr. the Hon. Sir David Li Kwok-po (Independent Non-executive Director) with Dr. the Hon. Lee Shau-kee (Non-executive Director), Prof. Poon Chung-kwong (Independent Non-executive Director) and Dr. Moses Cheng Mo-chi (Independent Non-executive Director who was appointed on 14th January 2019) as members.

The principal duties of the Remuneration Committee include, but are not limited to, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management (who are also executive directors of the Company), reviewing and approving the special remuneration packages of all executive directors with reference to corporate goals and objectives resolved by the Board from time to time and determining, with delegated responsibility, the remuneration packages of individual executive directors. The Company has adopted written terms of reference for the Remuneration Committee that clearly define the role, authority and function of the Remuneration Committee. The terms of reference of the Remuneration Committee are available on both the Exchange's and the Company's websites.

The Company has not adopted any share option scheme. The emoluments of Directors are determined based on the duties and responsibilities of each Director. The Directors' fees were reviewed by the Remuneration Committee. During the year ended 31st December 2018, every Director received a Director's fee at the rate of HK\$250,000 per annum while the Chairman of the Board received an additional fee at the rate of HK\$250,000 per annum and each member of the Board Audit and Risk Committee, the Remuneration Committee and the Nomination Committee received additional fees at the rate of HK\$250,000, HK\$100,000 and HK\$100,000 per annum respectively. The Remuneration Committee considered the fees reasonable in view of the Directors' responsibilities.

During the year ended 31st December 2018, the Remuneration Committee held its meeting once to review the Directors' fees and the remuneration of the Executive Directors. The attendance record of each member at the Remuneration Committee meeting during the year ended 31st December 2018 is set out below:

Remuneration Committee Members	No. of Meeting Attended / Held
Dr. the Hon. Sir David Li Kwok-po (Chairman)	1/1
Dr. the Hon. Lee Shau-kee	1/1
Prof. Poon Chung-kwong	1/1

## Board of Directors (Continued)

### Nomination Committee

The Company established a Nomination Committee on 19th March 2012. The Nomination Committee is chaired by Dr. the Hon. Lee Shau-kee (Non-executive Director) with members who are all Independent Non-executive Directors, including Dr. the Hon. Sir David Li Kwok-po, Prof. Poon Chung-kwong and Dr. Moses Cheng Mo-chi (who was appointed on 14th January 2019).

The principal duties of the Nomination Committee include, but are not limited to, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy. It is also responsible for making recommendations to the Board on nominations and appointment of directors as well as assessing the independence of independent non-executive directors. The Committee shall consider the candidate from a range of backgrounds on his/her merits and against objective criteria set out by the Board. The Company has adopted written terms of reference for the Nomination Committee that clearly define the role, authority and function of the Nomination Committee. The terms of reference of the Nomination Committee are available on both the Exchange's and the Company's websites.

The Nomination Committee held one meeting during the year ended 31st December 2018. During the year under review, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and assessed the independence of all independent non-executive directors of the Company. It also recommended to the Board for approval of the re-election of the retiring Directors at the 2018 AGM.

The attendance record of each member at the Nomination Committee meeting during the year ended 31st December 2018 is set out below:

Nomination Committee Members	No. of Meeting Attended / Held
Dr. the Hon. Lee Shau-kee (Chairman)	1/1
Dr. the Hon. Sir David Li Kwok-po	1/1
Prof. Poon Chung-kwong	1/1

### Auditor's Remuneration

For the year ended 31st December 2018, the total remuneration in respect of statutory audit services provided by the Company's external auditor, PricewaterhouseCoopers, amounted to approximately HK\$11.8 million. During the year, payment to PricewaterhouseCoopers in respect of non-audit services, mainly including taxation services and interim results review services provided to the Group amounted to approximately HK\$3.6 million.

## Risk Management and Internal Control

### *Internal Control*

The Board is responsible for maintaining sound and effective risk management and internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems.

Risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Policies and procedures are established to ensure that all payments and investments are properly authorised, critical assets and data are safeguarded as well as all company records are accurate and complete. In addition, the Group has a strict internal code of conduct and an Anti-Fraud Policy which provide guidance on the ethical behaviour when handling issues such as bribery and corruption, conflicts of interest, insider dealing, acceptance of gift and entertainment and fair dealing. The Board adopted a Whistleblowing Policy which provides reporting channels and guidance for employees and other parties who deal with the Group (e.g. contractors and suppliers, etc.) to report possible improprieties in matters of financial reporting or other matters. The Whistleblowing Policy and the Anti-Fraud Policy are available on the Company's website.

The Group's internal audit function, which is independent of the Group's management team, assesses and monitors the effectiveness of the Group's risk management and internal control systems and reports to the Board Audit and Risk Committee on a half-yearly basis. The function has unrestricted access to the company records that allows it to review all aspects of the Group's control and governance process. Yearly audit plan is prepared for review and approval by the Board Audit and Risk Committee. The scope of work includes financial and operational review, recurring and unscheduled audit, fraud investigation and compliance review. The opinion, as formulated by the function on the effectiveness of the risk management and internal control systems, together with the major findings and implementation progress of the audit recommendations, would be reported to the Board Audit and Risk Committee.

During the year ended 31st December 2018, the Board, through the Board Audit and Risk Committee, has conducted a bi-annual review of the overall effectiveness of the Group's internal control systems over financial, operational and compliance controls, risk management process, information systems security, scope and quality of the management's monitoring of risks and internal control systems, the effectiveness of financial reporting and compliance with the Listing Rules.

The Board ensured that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions were adequate. The Board concluded that in general, the Group had set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance or material internal control defects, if any. The Board also considered that the Group's risk management and internal control systems are effective and adequate.

## Risk Management and Internal Control (Continued)

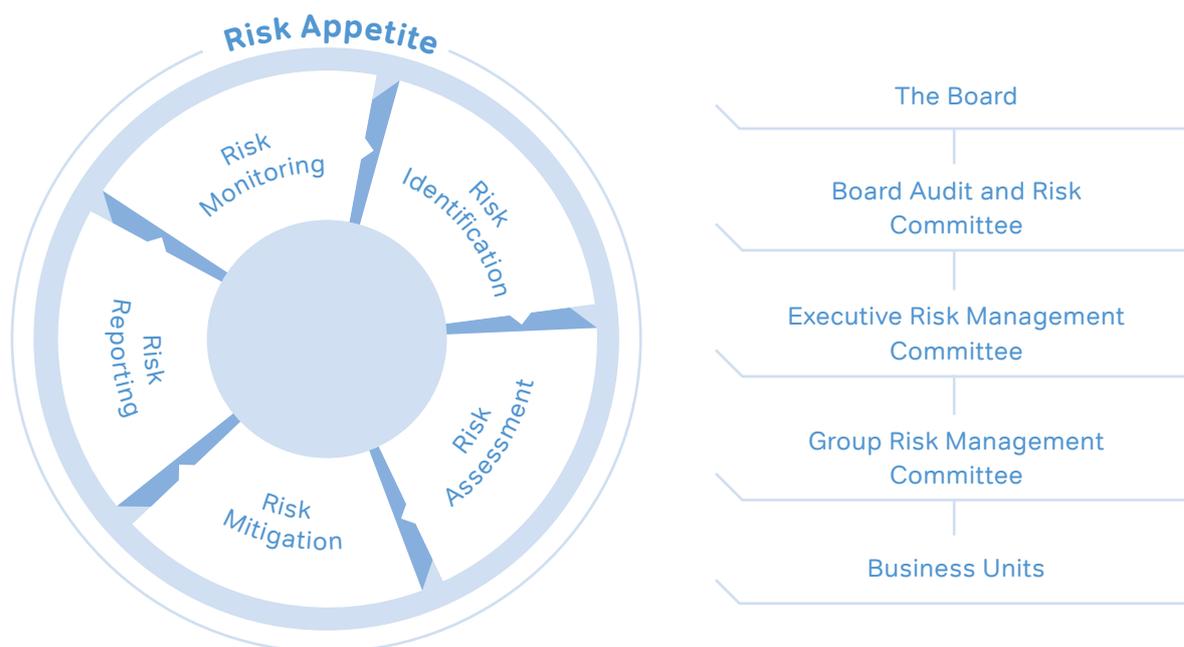
### Risk Management

#### Risk Management Framework

Rooted in corporate’s vision and mission, the Group strives the best to provide its customers with a safe, reliable supply of energy as well as the caring, competent and efficient service they expect. Meanwhile, the Group is also working to pursue sustainable development and caring for the environment, people and community.

To ensure growth and long-term value for the key stakeholders, the Group considers risk governance as its top priority and is committed to establishing a robust system of risk identification and management which is central to its ongoing success.

The Group has in place an Enterprise Risk Management Framework (the “Framework”) that depicts the system to effectively identify, assess, mitigate, report and monitor key business risks across all business units of the organisation. The system enables the management team to gain a clear view of the significant risks for better strategy setting and project execution which ultimately contribute to enhanced business performance.



#### Risk Appetite

To pursue the Group’s mission and keep in line with the expectations of its stakeholders, the Group is willing to take reasonable and manageable risks that are consistent with its strategic business drivers and necessary to promote innovation and continued growth but would not expose the Group to the following:

1. Major incidents affecting safety and health of its staff, contractors and the general public;
2. Loss or failure of infrastructures and operations materially affecting production and supply;
3. Material financial loss impacting ability of the Group to carry out its business drivers;
4. Incidents leading to profound negative impact on corporate image or reputation;
5. Legal actions that are liable for major loss or suspension of operations; and
6. Incidents leading to severe impacts on the environment.

## **Risk Management and Internal Control** (Continued)

### **Risk Management** (Continued)

#### **Risk Management Structure**

The risk management structure sets out the mechanism by which authority is exercised, decisions are taken and organisation is effectively supervised. The Board Audit and Risk Committee supports the Board in overseeing the overall risk management system and provides assurance to the Board at least annually that the system is operating effectively. The Executive Risk Management Committee (“ERMC”), which is composed of all Executive Committee Members of the Company, is responsible for the system formulation and its effective implementation to maintain risk exposures within the risk appetite. It is assisted by the Group Risk Management Committee (“GRMC”), which comprises risk owners who are also the key business management team. GRMC reviews the major risk exposure, monitors the implementation of risk-mitigating controls and reports to ERMC regularly on the results of risk management review.

#### **Risk Management Process**

The risk management process is embedded into the day-to-day operation and is an ongoing process carried out by everyone in the organisation across all business units.

Each company of the Group has its own risk management process and system. Regular communication is made among companies, regional offices and headquarters of the Group on the latest risk exposures and mitigation measures to ensure risks are effectively managed and issues are timely reported. Regular independent review would be performed to ensure the risk management system is operating effectively.

The GRMC would communicate and summarise the key risks (also taking emerging risks into account) across all businesses through senior executives, who continuously monitor all material risks faced by the companies of the Group in their corresponding regions and business streams.

The summarised key risks would be reviewed continuously and reassessed within the Group by adopting the risk assessment criteria as set out in the Framework. Priorities would be given to high and medium risks on implementation of risk mitigating measures. A risk management update that highlights the summarised key risks and action plans would be submitted to and discussed by ERMC at least annually for monitoring purpose while top risks and measures would finally be selected for review by the Board Audit and Risk Committee on behalf of the Board. The Board Audit and Risk Committee, based on the review of top risks and adopted measures, ensures at least an annual review of the effectiveness of the risk management system has been conducted.

A description of the Group’s risk factors is shown on page 60 of the Annual Report. The Group seeks continuous improvement to the Framework in response to the changing business environment.

## **Policy and Procedures on Disclosure of Inside Information**

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the officers (referring to Directors, managers or Company Secretary of the Company) and all the Relevant Employees of the Company to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the Company’s website.

## **Company Secretary**

The Company Secretary is responsible for assisting the Board by ensuring good information flow within the Board members as well as the Board policy and procedures being followed properly. The Company Secretary also provides professional advice to the Board on corporate governance and other matters. He is also responsible for organising general meetings of the Company and facilitating the induction and professional development of the Directors.

During the year ended 31st December 2018, the Company Secretary undertook no less than 15 hours of relevant professional training.

## Communication with Shareholders

The Board is committed to maintaining an ongoing communication with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The AGM provides a good forum for communication between the Board and shareholders. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the chairmen of all the Board Committees are available to answer questions at the AGM. Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders in the general meeting so that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of the Exchange and the Company on the day of the general meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

The 2018 AGM was held on 6th June 2018. The attendance record of each Director at the 2018 AGM is set out below:

Directors	No. of Meeting Attended / Held
<b>Non-executive Directors</b>	
Dr. the Hon. Lee Shau-kee (Chairman)	1/1
Dr. Colin Lam Ko-yin	1/1
Dr. Lee Ka-kit	1/1
Mr. Lee Ka-shing	1/1
<b>Independent Non-executive Directors</b>	
Mr. Leung Hay-man*	0/1
Dr. the Hon. Sir David Li Kwok-po	1/1
Prof. Poon Chung-kwong	1/1
<b>Executive Directors</b>	
Mr. Alfred Chan Wing-kin	1/1
Mr. Peter Wong Wai-yee	1/1

\* Mr. Leung Hay-man passed away on 11th October 2018.

## Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company which are governed by the provisions of the Articles of Association and applicable laws, rules and regulations.

### Convening a General Meeting

Pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), shareholders representing at least 5% of the total voting rights of all the shareholders are entitled to send a request to the Company to convene a general meeting. Such request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must also be authenticated by the person or persons making it.

## **Shareholders' Rights** (Continued)

### ***Putting Forward Proposals at a Shareholders' Meeting***

Pursuant to the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all the shareholders or at least 50 shareholders can request the Company in writing to circulate to the shareholders a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting. The request may be sent to the Company in hard copy form or in electronic form and must identify the statement to be circulated. It must be authenticated by the person or persons making it and be received by the Company at least 7 days before such meeting.

### ***Putting Forward Enquiries to the Board***

The Company has maintained a policy on shareholders' communication to handle enquiries put to the Board. In order to enable such enquiries be properly directed, designated contacts, email addresses and enquiry lines of the Company were provided on page 192 of this Annual Report and the Company's website.

### ***Proposing a Person for Election as a Director***

If a shareholder wishes to propose a person other than a retiring director of the Company for election as a director of the Company at a general meeting, that shareholder should deposit a written notice stating the full name of the person proposed for election as a director of the Company, together with (a) the proposed person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that proposed person indicating his/her willingness to be elected; and (b) the proposed person's written consent to the publication of his/her personal data not earlier than the day after the despatch of the notice of the meeting and not later than 7 days prior to the day appointed for the meeting. Detailed procedures can be found in the "Procedures for shareholders to propose a person for election as a director of the Company at a general meeting" which is available on the Company's website.

## **Investor Relations**

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Questions from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at [www.towngas.com](http://www.towngas.com) where the Company's announcements and press releases, business developments and operations, financial information, corporate governance practices and other information are posted.

## **Constitutional Documents**

The latest version of the Articles of Association is available on both the Company's and the Exchange's websites. During the year ended 31st December 2018, there was no change in the Articles of Association.