

Appendix 23

Corporate Governance Report

GENERAL

1. Listed issuers shall include a report on corporate governance practices (the “Corporate Governance Report”) prepared by the board of directors in their summary financial reports (if any) pursuant to paragraph 50 of Appendix 16 and annual reports pursuant to paragraph 34 of Appendix 16. The Corporate Governance Report shall contain all the information set out in paragraph 2 of this Appendix. Any failure to do so will be regarded as a breach of the Exchange Listing Rules.

To the extent that it is reasonable and appropriate, the Corporate Governance Report included in a listed issuer’s summary financial report may take the form of a summary of the Corporate Governance Report contained in the annual report and may also incorporate information by reference to its annual report. Any such references must be clear and unambiguous and the summary must not only contain a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the “Code”).

Listed issuers are also encouraged to disclose information set out in paragraph 3 of this Appendix in their Corporate Governance Report.

MANDATORY DISCLOSURE REQUIREMENTS

2. Listed issuers shall include the following information for the accounting period covered by the annual report and any significant events pertaining to the following information for any subsequent period up to the date of publication of the annual report, to the extent that is practicable:
 - (a) **Corporate governance practices**
 - (i) a narrative statement of how the listed issuer has applied the principles in the Code, providing explanation which enables its shareholders to evaluate how the principles have been applied;

- (ii) a statement as to whether the listed issuer meets the code provisions in the Code. If a listed issuer has adopted its own code that exceeds the code provisions set out in the Code, such listed issuer may draw attention to such fact in its annual report; and
- (iii) in the event of any deviation from the code provisions set out in the Code, details of such deviation during the financial year (including considered reasons for such deviations).

(b) Directors' securities transactions

In respect of the Model Code set out in Appendix 10:

- (i) whether the listed issuer has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code;
- (ii) having made specific enquiry of all directors, whether the directors of the listed issuer have complied with, or whether there has been any non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions; and
- (iii) in the event of any non-compliance with the required standard set out in the Model Code, details of such non-compliance and an explanation of the remedial steps taken by the listed issuer to address such non-compliance.

(c) Board of directors

Details in relation to the board of directors of listed issuers, which include:

- (i) composition of the board, by category of directors, of the listed issuer, including name of chairman, executive directors, non-executive directors and independent non-executive directors;
- (ii) number of board meetings held during the financial year;

- (iii) individual attendance of each director, on a named basis, at the board meetings;
- (iv) a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management;
- (v) details of non-compliance (if any) with rules 3.10(1) and (2) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, respectively;

Note: Listed issuers are reminded of their obligation to comply with rules 3.10(1) and (2). Failure to comply with such requirements constitutes a breach of the Exchange Listing Rules.

- (vi) reasons why the listed issuer considers an independent non-executive director to be independent where he/she fails to meet one or more of the guidelines for assessing independence set out in rule 3.13; and
- (vii) relationship (including financial, business, family or other material/relevant relationship(s)), if any, among members of the board and in particular, between the chairman and the chief executive officer.

(d) Chairman and chief executive officer

- (i) identity of the chairman and chief executive officer; and
- (ii) whether the roles of the chairman and chief executive officer are segregated and are not exercised by the same individual.

(e) Non-executive directors

The term of appointment of non-executive directors.

(f) Remuneration of directors

The following information relating to the directors' remuneration policy:

- (i) the role and function of the remuneration committee (if any) or the reason(s) for not having a remuneration committee;
- (ii) the composition of the remuneration committee (if any) (including names and identifying in particular the chairman of the remuneration committee);
- (iii) the number of meetings held by the remuneration committee or the board of directors (if there is no remuneration committee) during the year to discuss remuneration related matters and the record of individual attendance of members, on a named basis, at meetings held during the year; and
- (iv) a summary of the work, including determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee or board of directors (if there is no remuneration committee) during the year.

Note: Under Appendix 16, listed issuers are required to give a general description of the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to their directors.

(g) Nomination of directors

The following information relating to the appointment and removal of directors:

- (i) the role and function of the nomination committee (if any);
- (ii) the composition of the nomination committee (if any) (including names and identifying in particular the chairman of the nomination committee);

- (iii) the nomination procedures and the process and criteria adopted by the nomination committee or the board of directors (if there is no nomination committee) to select and recommend candidates for directorship during the year;
- (iv) a summary of the work, including determining the policy for the nomination of directors, performed by the nomination committee or the board of directors (if there is no nomination committee) during the year; and
- (v) the number of meetings held by the nomination committee or the board of directors (if there is no nomination committee) during the year and the record of individual attendance of members, on a named basis, at meetings held during the year.

(h) Auditors' remuneration

An analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the listed issuer. Such analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

(i) Audit committee

The following information relating to the audit committee:

- (i) its role, function and composition of the committee members (including names and identifying in particular the chairman of the audit committee);
- (ii) the number of audit committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year;

- (iii) a report on the work performed by the audit committee during the year in discharging its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results and system of internal control, and its other duties set out in the Code; and
- (iv) details of non-compliance with rule 3.21 (if any) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to establishment of an audit committee.

Note: Listed issuers are reminded of their obligation to comply with rule 3.21. Failure to comply with such requirements constitutes a breach of the Exchange Listing Rules.

Note: In addition to the disclosure obligations described above, the code provisions in the Code expect issuers to make certain specified disclosures in the Corporate Governance Report. Where issuers choose not to make the expected disclosure, they must give considered reasons for the deviation in accordance with paragraph 2(a)(iii). For ease of reference, the specific disclosure expectations of the code provisions are set out below:

- 1 *an acknowledgement from the directors of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities (C.1.2 of the Code);*
- 2 *report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the listed issuer's ability to continue as a going concern (C.1.2 of the Code);*
- 3 *a statement that the board has conducted a review of the effectiveness of the system of internal control of the issuer and its subsidiaries (C.2.1 of the Code); and*
- 4 *a statement from the audit committee explaining its recommendation and the reason(s) why the board has taken a different view from that of the audit committee regarding the selection, appointment, resignation or dismissal of the external auditors (C.3.5 of the Code).*

RECOMMENDED DISCLOSURES

3. The disclosures set out in this paragraph relating to corporate governance matters are provided for listed issuers' reference. They are not intended to be exhaustive or mandatory. They are rather intended to set out the areas which listed issuers may comment on in their Corporate Governance Report. The level of details needed varies with

the nature and complexity of listed issuers' business activities. Listed issuers are encouraged to include the following information in their Corporate Governance Report:

(a) Share interests of senior management

- (i) the number of shares held by senior management (i.e. those individuals whose biographical details are disclosed in the annual report).

(b) Shareholders' rights

- (i) the way in which shareholders can convene an extraordinary general meeting;
- (ii) the procedures by which enquiries may be put to the board together with sufficient contact details to enable such enquiries to be properly directed; and
- (iii) the procedures for putting forward proposals at shareholders' meetings with sufficient contact details.

(c) Investor relations

- (i) any significant changes in the listed issuer's articles of association during the year;
- (ii) details of shareholders by type and aggregate shareholding;

Note: Listed issuers are reminded of their obligation to comply with the requirements in Appendix 16 and Practice Note 5 relating to the disclosure of interests in the listed issuer. They may wish to mention such information in this section of the Corporate Governance Report.

- (iii) details of the last shareholders' meeting, including the time and venue, major items discussed and particulars as to voting;
- (iv) indication of important shareholders' dates in the coming financial year; and
- (v) public float capitalisation as at the end of the year.

(d) Internal controls

- (i) where a listed issuer includes a statement by the directors that they have conducted a review of its system of internal control in the annual report pursuant to paragraph C.2.1 of the Code, the listed issuer is encouraged to disclose the following details in such report:
 - (aa) an explanation of how the system of internal control has been defined for the listed issuer;
 - (bb) procedures and internal controls for the handling and dissemination of price sensitive information;
 - (cc) whether the listed issuer has an internal audit function or the outcome of the review of the need for an internal audit function where the listed issuer has no such function;
 - (dd) how often internal controls are reviewed;
 - (ee) a statement that the directors have reviewed the effectiveness of the system of internal control and whether they consider the internal control systems effective and adequate;
 - (ff) criteria for the directors to assess the effectiveness of the system of internal control;
 - (gg) the period which the review covers;
 - (hh) details of any significant areas of concern which may affect shareholders;
 - (ii) significant views or proposals put forward by the audit committee; and
 - (jj) where a listed issuer has not conducted a review of its internal control during the year, an explanation why it has not done so;

- (ii) a narrative statement (including the items under C.2.3 of the Code) of how the listed issuer has complied with the code provisions on internal control during the reporting period (C.2.3 of the Code); and
- (iii) the outcome of the review conducted on an annual basis by an issuer without an internal audit function of the need for one (C.2.5 of the Code).

(e) Management functions

- (i) the division of responsibility between the board and management.

Note: Issuers may consider that some of the information recommended under paragraph 3 is too lengthy and detailed to be included in the Corporate Governance Report. As an alternative to full disclosure in the Corporate Governance Report, issuers may choose to include some or all of this information:

- (a) *on its website and highlight to investors where they can:*
 - (i) *access the soft copy of this information on its website by giving a hyperlink directly to the relevant webpage; and/or*
 - (ii) *collect a hard copy of the relevant information free of charge; or*
- (b) *where the information is publicly available, by stating where the information can be found. Any hyperlink should be directly to the relevant webpage.*