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## **Corporate Governance Practice Manual**

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## 1. OVERVIEW

China Resources Beer (Holdings) Company Limited (“**Company**”) is committed to good standards of corporate governance in order to protect and enhance the interests of our shareholders. In November 2003, the Company published its “Corporate Governance Standards and Objectives” handbook. The Corporate Governance Code (“**CG Code**”) contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) allows the issuers to devise their own codes on corporate governance practices on such terms and conditions they deem appropriate, provided reasons are given for any deviation.

As part of its ongoing review of our corporate governance standards, the Board (“**Board**”) of directors of the Company (“**Directors**”) has, based on our standards and experience, adopted this Corporate Governance Practice Manual (“**Manual**”) which sets out our corporate governance policies and practices used by our group (“**Group**”, which includes the Company and its subsidiaries from time to time) in the management of our businesses. Paragraph 2A of this Manual should also constitute the terms of reference of the Board regarding corporate governance functions referred to in paragraph A.2 of part 2 of the CG Code.

The Board will continue to review this Manual from time to time with a view to continuously improving the Company’s corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs. The Board will ensure that so far as is practical in the circumstances, the policies and practices expressed in this Manual are consistently applied and adhered to in the management of its businesses.

If any of the provisions of this Manual conflicts with the Listing Rules, the CG Code or other requirements of the Stock Exchange, or if any of the latter imposes requirements more stringent than those set out in this Manual, the latter shall prevail.

This Manual has taken into account the latest amendments to the CG Code and the Listing Rules which were effective as at the date of issuance of the Manual. This Manual has been prepared in English and Chinese, and both versions possess equal status and have the same effect. If there is any inconsistency or ambiguity between the English and Chinese versions of the Manual, the English version shall prevail.

The Manual shall be established, modified and interpreted by the Board Office of the Company.

## 2. THE BOARD

### A. Role of the Board

- (1) The Board represents shareholders of the Company (“**Shareholders**”) in managing the Company’s affairs. Members of the Board are expected to exercise their judgment to act in what they reasonably believe to be in the best interests of the Company and the Shareholders. The Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors. The Board recognises its and the senior management’s responsibilities to enhance shareholder value and to conduct themselves in accordance with their duties of care and integrity.

The Board should be responsible for performing the corporate governance duties set out in paragraph A.2 of part 2 of the CG Code, and in this regard the duties of the Board shall include:

- (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and the Senior Management (as defined in paragraph 3.E(1)(g));
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company’s compliance with the CG Code and disclosure in the corporate governance report of the Company (“**Corporate Governance Report**”) as referred to in part 1 of the CG Code.

- (2) While at all times the Board retains full responsibility for guiding and monitoring the Company, in performing its duties, certain responsibilities are delegated as follows:
- (a) standing committees - various standing committees (“**Committees**”) have been established to deal with different aspects of the Company’s functions. The principal Committees are: the Executive Committee, the Audit Committee, the Nomination Committee and the Compensation Committee. Each standing Committee’s constitution, power and duties are clearly defined by its terms of reference, and is accountable to the Board. Ad hoc Board Committees may also be established as required from time to time;
  - (b) Company’s President - the day-to-day management of the business of the Company is delegated to the President who is accountable to the Board; and
  - (c) Corporate Management (as defined in paragraph 3.E.(1)(f) below), Operating Management (as defined in paragraph 3.E.(1)(e) below) and President’s sub-delegation of duties - certain responsibilities are delegated to Corporate Management or Operating Management by the Board or the President within the parameters specified by the Board. Corporate Management and Operating Management are accountable to the President and in some cases, to the Board directly.

The Board should review its arrangement on delegation of responsibilities and authority periodically to ensure that such arrangements remain appropriate to the Company’s needs and that appropriate reporting systems are in place. As a general principle, the Board should not delegate matters to a Committee, the President, the other executive Directors, Corporate Management and Operating Management to such an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions.

- (3) Notwithstanding the provisions in paragraph 2.A.(2), the following matters (including changes to any such matters) shall not be delegated and are reserved for approval by the Board:
- (a) any matter determined by the Board to be material involving any conflict of interest of a substantial Shareholder or a Director (see paragraph 2.A.(9));

- (b) any matter relating to the formulation of the Company's strategy and direction including:
  - (i) policies relating to the overall strategic direction and strategic plans of the Company;
  - (ii) policies relating to key business and financial objectives of the Company;
  - (iii) policies relating to dividend policy and the declaration of any interim dividend and any recommendation to the Shareholders for declaration of any dividend pursuant to that policy; and
  - (iv) the entering into of contracts, acquisitions, investments, divestments, disposal of assets or any significant capital expenditure which are deemed to be material by the Board and for the purposes of this sub-clause "materiality" is determined by reference to the percentage ratios of a notifiable transaction as defined in the Listing Rules;
- (c) financial controls, compliance and risk management:
  - (i) the approval of annual operating and capital expenditure budgets for the Company;
  - (ii) the approval of the Company's financial statements, and published reports;
  - (iii) the establishment and review of the effectiveness of the Company's systems of internal control and risk management process;
  - (iv) the adoption of, or approval for any significant changes in, accounting policies or procedures of the Company and its subsidiaries; and
  - (v) the establishment, review and implementation of certain internal systems in relation the major financial matters including the management of guarantees to be granted by the Group, debts to be taken on by the Group and donations to be made by the Group.

- (d) corporate structure - changes to the Company's capital structure, including reductions of share capital, share buy-backs or issue of new securities, other than in accordance with the terms of the share option scheme(s) or other incentive schemes adopted by the Company from time to time;
- (e) major appointments:
  - (i) appointments to the Board, taking into account any recommendations of the Nomination Committee;
  - (ii) the appointment of the Chairman;
  - (iii) recommendation to the Shareholders on the appointment or removal of external auditors after taking into consideration the recommendations of the Audit Committee; and
  - (iv) the appointment or removal of the Company Secretary, members of the management of the Company (including but not limited to the president(s), chief financial officer(s) and the vice president(s) or such other member(s) as determined by the Board from time to time) (the **"Members of the Management"**);
- (f) delegation of authority:
  - (i) changes to terms of reference or membership of any Committee;
  - (ii) changes to the authority delegated to the Members of the Management; and
  - (iii) matters which exceed the authority delegated to the Members of the Management; and
- (g) the adoption, review and approval of changes to this Manual or the Code of Ethics and Securities Transactions applicable to the Directors, Corporate Management, Operating Management and certain employees of the Company and its subsidiaries, and directors and certain employees of the holding companies of the Company (**"Code of Ethics and Securities Transactions"**).

- (4) The day-to-day management of the Company is delegated to the President and his management team. This delegation of authority includes responsibility for:
- (a) ensuring that the Board is provided with sufficient information and explanation on a timely basis in regard to the Company's businesses, and in particular with respect to the Company's performance, financial condition, operating results and prospects, to position the Board to fulfill its governance responsibilities and to enable it to make an informed assessment for matters put before the Board for approval;
  - (b) implementing the policies, processes, this Manual, and the Code of Ethics and Securities Transactions approved by the Board; and
  - (c) implementing policies, processes and procedures for the management and development of the Company's employees.
- (5) The Board shall meet regularly and board meetings should be held at least 4 times a year (at approximately quarterly intervals) (such regular Board meeting to be referred to as "**Regular Board Meeting**") at which at least a majority of the Directors shall be present (including at least an independent non-executive Director). It is expected Regular Board Meetings will normally involve the active participation, either in person or through electronic means of communication. A regular meeting does not include obtaining board consent through circulating written resolutions.

Management views are communicated to the Board via the President and other Executive Directors. The senior management also attends Board meetings when required.

- (6) The Chairman, in consultation with the President and the Company Secretary and/or his designated delegates, should be primarily responsible for drawing up and approving the agenda for each Board meeting. To the extent that is practicable to do so, the Company Secretary or his designated delegates should ensure that the following procedures are followed in preparation of the Board meeting:
- (a) the draft notice of the proposed Board meeting together with the draft agenda and relevant Board papers (if any) are circulated to all Board members for consideration and comment reasonably in advance of and at least 3 days before the proposed Board meeting. In particular, the draft notice of Board meeting should specify the proposed time period during which the proposed Board meeting is to be convened, and seek Directors' confirmations as to whether they wish to include any matters in the agenda for the proposed Board



meeting and to invite any member of the Corporate Management, the Operating Management, any external advisors and any other person to attend the proposed Board meeting to answer queries on matters to be put forward to the Board, and the Directors shall be reminded of their rights to seek further information, to obtain independent external advice and to have access to the Company Secretary or his designated delegates, as set out in paragraph 2.A.(13) below;

- (b) the Company Secretary or his designated delegates should thereafter within 5 business days (meaning a banking day in Hong Kong excluding Saturday, to be referred to as a “**Business Day**”) of circulation of the Board meeting materials described in paragraph (a) above, consult and confirm with each Director for any comment on the proposed agenda or inclusion of new matters in the agenda, date of Board meeting and whether they need any further information or wish to invite any other person to attend the Board meeting; and
  - (c) the final agenda, notice of Board meeting and related Board papers should then be circulated at least 3 Business Days prior to the Board meeting.
- (7) At least 14 days’ notice should be given of a Regular Board Meeting. The Chairman has the discretion to call a meeting if circumstances arise requiring attention of the Board before the next Regular Board Meeting. The Chairman will instruct the Company Secretary or his designated delegates to send written notification to Board members regarding such meetings endeavoring to give as much notice as possible in the circumstances.
- (8) Subject to paragraph 2.A.(9) below and that the relevant matter requiring consent of the Board or a Committee is not a matter reserved for the Board under paragraph 2.A.(3) or normally subject to approval at a Regular Board Meeting, the President or the presiding Chairperson may instruct the Company Secretary or his designated delegates to circulate written resolutions to obtain consent(s) of the Board or a Committee in accordance with the articles of association of the Company (“**Articles of Association**”) and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Companies Ordinance**”).

- (9) If any matter subject to the consent of the Board at any Regular Board Meetings and other meetings of the Board involves any conflict of interest of a substantial Shareholder of the Company or a Director which is considered and determined by the Board to be material, such matter should be dealt with by a physical Board Meeting rather than a written resolution of the Board or by a Committee (except by an independent Board Committee specifically established for such purpose as resolved in a Board meeting). A Board meeting should be held at which independent non-executive director(s) (“**INED**”) who and whose close associates have no material interest in the matter under consideration should be present.
- (10) The Company Secretary or his designated delegates shall record minutes of all duly constituted meetings of the Board, and the Committees. All minutes should record in sufficient detail the matters considered, decisions reached and/or recommendations made and including any concerns raised by the Directors or dissenting views expressed, especially those made by INEDs, if any.
- (11) Draft and final versions of minutes of meetings of the Board, or the Committees should be circulated by the Company Secretary or his designated delegates to all Directors, or members of the Committee (as the case may be) for their comment and records respectively, within a reasonable time after the relevant meeting is held.
- (12) Minutes of Board meetings and meetings of the Committees should be kept by the Company Secretary or his designated delegates or the duly appointed secretary of the meeting (as the case may be).
- (13) To enable the Directors to discharge their duties effectively, each Director:
- (a) shall have access to the advice and services of the Company Secretary or his designated delegates with a view to ensuring that Board procedures and all applicable rules and regulations are complied with;
  - (b) can make further queries and seek information from the Company Secretary or his designated delegates, Corporate Management and Operating Management if the Director considers that he does not have sufficient information to make an informed decision on matters put before the Board;

- (c) with the prior approval of the Chairman (such approval not to be unreasonably withheld), can invite other persons such as any member of the Corporate Management, the Operating Management or external advisers to attend meetings of the Board or the Committees to answer queries on matters put forward at such meetings;
  - (d) with the prior approval of the Chairman (such approval not to be unreasonably withheld), can seek independent legal or financial advice on their duties and responsibilities at the expense of the Company; and
  - (e) has right of access to all information including Board papers and related material, minutes of Board meetings and Committee meetings at any reasonable time on reasonable notice so long as such access was not sought for personal purposes.
- (14) The Company should arrange appropriate insurance cover in respect of legal action against its Directors.

**B. Composition of the Board**

- (1) The composition of the Board must conform with article 79 of the Articles of Association, which currently sets the number of Directors that may sit on the Board at a minimum of two.

The INEDs help to ensure that interests of all Shareholders are fairly and properly taken into account by the Board.

Details of the membership of the Board (including the INEDs) and the roles and functions of the Directors are given in the Annual Reports and on our Company's website.

- (2) The Board should have a balance of skills and experience appropriate for the requirement of the business of the Company. The Company should maintain and disclose in the Corporate Governance Report a board skills matrix as per Code Provisions B.1.5.

The Board should regularly review its composition to ensure that the Board continues to have the necessary mix of skills and experience necessary for the conduct of the Company's business and alignment with the interests of the Shareholders. The Board should ensure that changes to its composition can be managed without undue disruption.

The Company shall conduct an evaluation of the board's performance at least every two years, mention in the Corporate Governance Report and disclose as per Code Provisions B.1.4.

- (3) The Board should also review the implementation and effectiveness of the Company's policies on board diversity and workforce diversity on an annual basis.
- (4) The Board should include a balanced composition of executive and non-executive directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment, and that non-executive directors should be of sufficient caliber and number for their views to carry weight. In particular, the Board must include at least three INEDs and maintain the proportion of the INEDs to at least one-third of the Board. In assessing independence of each INED, the Board shall have regard to the requirements under the Listing Rules. In the situation when an INED has served more than nine years, such INED's further appointment should be subject to a separate resolution to be approved by Shareholders. The Board is required to provide to the Shareholders in relation to the reappointment of such INED, the factors considered, the process and discussion of the Board (or the Nomination Committee) in its determination that such INED is still independent and should be re-elected.

Where all INEDs have served more than nine years on the Board, the Company is then required to (i) make the necessary disclosure including the length of tenure of each existing INED in the circular to Shareholders and/or explanatory statement accompanying the notice of annual general meeting ("AGM"); and (ii) appoint a new INED at the forthcoming AGM in accordance to the Listing Rules.

- (5) The non-executive Directors of the Company are nominees of our intermediate holding company(ies) in accordance with article 7.1 of the shareholders' agreement made on 5 November 2018 between China Resources Enterprise, Limited, Heineken Brouwerijen B.V. and CRH (BEER) LIMITED:-
  - (a) Nominees of China Resources Enterprise, Limited, these non-executive Directors are concurrently directors of China Resources (Holdings) Company Limited ("CRH"), and are responsible for finance and internal audit of CRH. Their views and comments, if any, on financial reporting and internal control of the Group are communicated to our Corporate Management directly; and
  - (b) Nominee of Heineken Brouwerijen B.V., who is nominated from time to time to act as a non-executive Director of the Company.

- (6) The non-executive Directors of the Company should:
- (a) participate in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
  - (b) take the lead where potential conflicts of interests arise;
  - (c) serve on the Audit Committee, Compensation Committee, Nomination Committee and other governance committee, if invited; and
  - (d) scrutinize the Company's performance in achieving agreed corporate goals and objectives, and monitor performance reporting.

**C. Appointments, re-election and removal**

- (1) The Board has established a Nomination Committee (see paragraph 3.H. below). The appointment of a new Director is a matter for consideration by the Nomination Committee and decision by the Board. The Board needs to be satisfied that any Board nominee is able to devote sufficient time to carry out his duties or responsibilities effectively and should be committed to serving on the Board for an extended period to serve the long-term interests of the Shareholders. Any Board nominee who believes that he is unable to give sufficient time and attention to the affairs of the Company should decline the appointment. Board nominees, as recommended by the Nomination Committee and approved by the Board, are put to a vote of the Shareholders at a general meeting.
- (2) Where a Board vacancy occurs during the course of the year, the Board may fill the vacancy. The Board may also appoint one or more additional Directors. All Directors appointed by the Board shall hold office for a term expiring not later than the next following AGM of the Company and shall then be eligible for re-election at that meeting provided that any Director who so retires shall not be taken into account in determining which Directors are to retire by rotation at that AGM as described in paragraph 2.C.(3) below.
- (3) Currently, the Articles of Association requires that one-third of the Directors shall retire each year. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. All Directors subject to retirement by rotation may offer themselves for re-election.

- (4) The Board does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long-term interests of the Shareholders.
- (5) Where any significant change of circumstances renders a Director unable to discharge his responsibilities as a director, he should resign.
- (6) The Company Secretary of the Company or his designated delegates should ensure that all disclosure obligations under the Listing Rules regarding the election, re-election, resignation or removal of Directors are duly complied with.
- (7) Each Director should disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant external time commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The Company will disclose such information at least once annually in the Company's annual reports.
- (8) The Board should state its reasons if it determines that a proposed Director is independent notwithstanding that the individual holds cross-directorships or has significant links with other Directors through involvements in other companies or bodies.

**D. Chairman and President**

- (1) The roles of Chairman and President should be separate and should generally not be performed by the same individual to ensure that there is a clear division of responsibilities at the Board level to entail a balance of power and authority.
- (2) The Chairman is responsible for providing leadership of the Board, for ensuring that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner, and for ensuring effective communication with Shareholders. In performing this role, the Chairman's responsibilities include:
  - (a) taking primary responsibility for ensuring that good corporate governance practices and procedures are established;
  - (b) chairing meetings of the Board;

- (c) ensuring the Board meetings receive, in a timely manner, accurate, clear, complete and reliable information concerning the affairs of the Company;
- (d) encouraging all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interest of the Company, and encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus;
- (e) promoting a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors;
- (f) formulating for discussion and decision, questions which have been moved for the consideration of the Board;
- (g) ensuring that all Directors are properly briefed on issues arising at the Board meetings;
- (h) acting as liaison between the Board and management;
- (i) in consultation with the President and the Company Secretary or his designated delegates, drawing up and approving the agenda for each Board meeting. He should take into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda;
- (j) at least annually holding meetings with the INEDs without the presence of the other Directors; and
- (k) ensuring that appropriate steps are taken to provide effective communications with Shareholders and that their views are communicated to the Board as a whole.

- (3) Subject to specific delegations by the Board from time to time, the President has responsibility for the following functions:
- (a) recommending policy and strategic directions for Board approval;
  - (b) implementing the strategies and policies adopted by the Board and conducting the day-to-day operation of the Company;
  - (c) developing and formulating business plans, budgets, strategies, business and financial objectives of the Company for consideration by the Board, and to the extent approved by the Board, implementing these plans, budgets, strategies and objectives;
  - (d) operating the Company's businesses within the parameters set by the Board from time to time, and keeping the Board informed of material developments of the Company's businesses;
  - (e) where proposed transactions, commitments or arrangements exceed the parameters set by the Board, referring the matter to the relevant Committee, the Executive Committee or the Board (as the case may be) for consideration and approval;
  - (f) identifying and managing operation and other risks, and where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks for consideration by the Board or the Executive Committee (as the case may be); and
  - (g) convening meetings of the Executive Committee.

**E. Company Secretary**

- (1) The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and the President on governance matters and should also facilitate induction and continuous education of Directors.
- (2) The Company Secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. Where the Company engages an external service provider as its Company Secretary, it should disclose the identity of a person with sufficient seniority of the Company whom the external provider can contact.



- (3) The Board should approve the selection, appointment or dismissal of the Company Secretary by way of a physical Board meeting rather than by written resolutions.
- (4) The Company Secretary should report to the Chairman and/or the President.
- (5) All Directors should have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

**F. Board member orientation and continuing education programs**

- (1) The Board Office of the Company shall be responsible for arranging and (where necessary) funding a comprehensive, formal and tailored induction for newly appointed Directors upon appointment and suitable continuous professional development for all Directors.
- (2) The Board Office of the Company shall be responsible for organising and (when necessary) funding continuous professional development according to paragraph (3) below for the newly appointed Directors within 18 months of the date of their appointment. Newly appointed Directors who have served as a director of an issuer listed on an exchange other than the Main Board or GEM of the Stock Exchange within the three years prior to their appointment must complete no less than 12 hours of the continuous professional development according to paragraph (3) below within 18 months of the date of their appointment;
- (3) All Directors should participate in continuous professional development arranged by the Company in each financial year relating to the following:
  - (a) the roles, functions, duties and responsibilities of the Board, its committees and its Directors, and board effectiveness;
  - (b) Company's obligations and directors' duties under Hong Kong law and the Listing Rules, and key legal and regulatory developments (including Listing Rule updates) relevant to the discharge of such obligations and duties;
  - (c) corporate governance and environmental, social and governance ("ESG") matters (including developments on sustainability or climate-related risks and opportunities relevant to the Company and its business);
  - (d) risk management and internal controls; and
  - (e) updates on industry-specific developments, business trends and strategies relevant to the Company.

- (4) Directors should provide a record of the training they received to the Company.

### **3. COMMITTEES**

#### **A. Establishment of Committees**

The Board may establish Committees responsible for considering detailed issues and making recommendations for consideration by the entire Board. The Board may from time to time delegate its decision making authority or part thereof to a Committee, subject to applicable laws and the terms of reference of the relevant Committee. The Board should ensure that sufficient resources are made available to each Committee to ensure that it can duly and fully discharge its duties.

#### **B. Committees accountable to the Board**

All Committees must report back to the entire Board on their decisions or recommendations, unless there are legal or regulatory restrictions restricting their ability to do so. An index of minutes of meetings must be tabled at the next Regular Board Meeting for review and the full minutes of meetings of the Committees and committee papers are accessible to all Directors and copies available on request.

#### **C. Attendance of meetings of Committees**

Apart from members of the Committees, other Directors, senior managers and employees of the Company may attend meetings of the Committees if invited.

#### **D. Current structure of Committees**

The Board has established a number of standing committees including the following principal Committees:

- Executive Committee;
- Audit Committee;
- Compensation Committee; and
- Nomination Committee.

The terms of reference of the above Committees are available on the Company's website and/or in writing upon request to the Company Secretary.

The Board may from time to time establish and delegate specific responsibilities to ad hoc Committees, such as an independent Board Committee to deal with matters involving conflict of interests of Directors or substantial Shareholders of the Company, connected transactions or a special purpose Committee to deal with major or material transactions of the Company.

**E. Executive Committee**

- (1) The main function of the Executive Committee is:
  - (a) to consider, review and approve the proposed investment projects that are general in nature and in the ordinary course of business of the Company and/or its subsidiaries including but not limited to capital expenditure or long term equity investment, but if the Committee considers appropriate, any major or very substantial investment projects of the Company that are within the scope of the terms of reference for the Investment and Project Review Committee will be referred to the Investment and Project Review Committee or the Board for consideration and review;
  - (b) to consider, review and approve the business and asset disposal projects that are general in nature and in the ordinary course of business and general investment of the Company and/or its subsidiaries, but if the Committee considers appropriate, any project relating to major or very substantial disposal of assets of the Company that are within the scope of the terms of reference for the Investment and Project Review Committee will be referred to the Investment and Project Review Committee or the Board for consideration and review;
  - (c) to consider, review, approve and issue the Company's internal rules and regulations;
  - (d) to monitor the execution of the Company's strategic plans and the operations of all business units;
  - (e) to appoint and remove the Directors and general managers of the business units of the Company ("**Operating Management**");
  - (f) to approve any changes to the scope of authority delegated to the Operating Management and the functional department heads of the Company ("**Corporate Management**");

- (g) to approve any excess in authority delegated to the Corporate Management and the Operating Management (together the “**Senior Management**”);
  - (h) to exercise the functions and responsibilities of the Board between Regular Board Meetings; and
  - (i) any other specified business authorised by the Board to be dealt with by this Committee.
- (2) Members of the Executive Committee shall include the Chairman, Vice Chairman, the President, the Chief Financial Officer, the senior management responsible for the business operation of the subsidiaries of the Company and any other members of the Company designated by the Board. A majority of members of the Executive Committee shall form a quorum. Company Secretary and Director of the Board Office of the Company shall be the ex-officio attendees of the Executive Committee meetings. The chair of this Committee shall be the Chairman, the President or the Chief Financial Officer on a rotational basis. The chair, in consultation with the President, shall be responsible for drawing up and approving the agenda of each Executive Committee meeting.
- (3) The Executive Committee shall be held as and when necessary or as required by the President.
- (4) The terms of reference of the Executive Committee shall be posted on the Company’s website and provided to the Shareholders upon request to the Company Secretary.

**F. Audit Committee**

- (1) The main function of the Audit Committee is to assist the Board to oversee the financial reporting, risk management and internal control systems and the internal and external audit functions. The Board shall in consultation with the chair of the Audit Committee provide sufficient resources to enable the Audit Committee to discharge its duties.
- (2) The Audit Committee annually assesses the appointment of the external auditors, taking into account the quality and rigour of the audit, the quality of the audit service provided, the auditing firm’s quality control procedures, relationships between the external auditors and the Company, and the independence of the auditors. Where the external auditors provide non-audit services, the Audit Committee should conduct annual reviews to consider the nature of the non-audit service, whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit, and the aggregate fees paid to the external auditors and a breakdown of the fees paid for audit and non-audit services for the financial year. The external auditors appointed by the Company shall be among the big four international accounting firms and shall be approved by the Shareholders at the AGM.

- (3) The Audit Committee comprises not less than three members, a majority of whom should be INEDs. At least one INED shall have the appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules. Two members of the Audit Committee shall form a quorum.
- (4) Any former partner of the Company's existing auditing firm ("Firm") is prohibited from being a member of the Audit Committee for a period of two years from the date of the person ceasing:
  - (a) to be a partner of the Firm; or
  - (b) to have any financial interest in the Firm,whichever is later.
- (5) The Audit Committee shall meet at least twice a year and special meetings may be called at the discretion of the chairman of the Audit Committee or at the request of the Board or Senior Management to review significant control or financial issues. The external auditors may request a meeting if they consider that one is necessary.
- (6) Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall disclose in the Corporate Governance Report the recommendation of the Audit Committee and the reasons why the Board has taken a different view.
- (7) The terms of reference of the Audit Committee shall be posted on the Company's website and the Stock Exchange's website and provided to the Shareholders upon request to the Company Secretary.

**G. Compensation Committee**

- (1) The main function of the Compensation Committee is to assist the Board to oversee the Company's remuneration practices to ensure effective policies, processes and practices for rewarding Directors and the Senior Management (namely, the Corporate Management and the Operating Management), and that the reward programs are fair and managed with integrity and in compliance with the Listing Rules and other applicable rules and regulations. The Board shall in consultation with the chair of the Compensation Committee provide sufficient resources to the Compensation Committee to enable it to discharge its duties.

- (2) The Compensation Committee comprises not less than 3 members, a majority of whom shall be INEDs. Two members of the Compensation Committee shall form a quorum.
- (3) The Compensation Committee shall meet at least once a year and as requested by the Director responsible for human resources function or the Board or the chair of the Compensation Committee.
- (4) The terms of reference of the Compensation Committee shall be posted on the Company's website and the Stock Exchange's website and provided to the Shareholders upon request to the Company Secretary.
- (5) The Compensation Committee should consult the Chairman and/or the President about their remuneration proposals for other executive Directors, and may, from time to time, seek professional advice from independent special personnel consulting groups so as to ensure that the Board remains informed of market trends and practices.

#### **H. Nomination Committee**

- (1) The main function of the Nomination Committee is, having regard to the independence and quality of nominees, to make recommendations to the Board on the suitability and qualification of candidates for Directors so as to ensure that all nominations are fair and transparent. The Nomination Committee shall develop and maintain a policy for the nomination of Board members, and shall disclose the policy and the progress made towards achieving the objectives set in the policy in the Corporate Governance Report. The Nomination Committee shall also develop and maintain a policy concerning diversity of board members and its workforce (including senior management), and shall disclose the policies or a summary of the policies in the Corporate Governance Report. The Board shall in consultation with the chair of the Nomination Committee provide sufficient resources to the Nomination Committee to enable it to perform its duties. Where necessary, the Nomination Committee should seek independent professional advice, at the Company's expense, to perform its responsibilities
- (2) The Nomination Committee comprises not less than 3 members, a majority of whom shall be INEDs and the committee shall have at least one member of a different gender. Two members of the Nomination Committee shall form a quorum.
- (3) The Nomination Committee shall meet at least once a year and as requested by the Director responsible for human resources function or the chair of the Nomination Committee to consider and review the performance, structure, size and composition of the Board and make recommendations on any proposed change to the Board to complement the Company's corporate strategy.

- (4) The Nomination Committee shall identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- (5) The Nomination Committee shall assess the independence of INEDs.
- (6) The Nomination Committee shall assess each Director's time commitment and contribution to the board, as well as the Director's ability to discharge his or her responsibilities effectively, taking into account professional qualifications and work experience, existing directorships of issuers listed on the Main Board or GEM and other significant external time commitments of such Director and other factors or circumstances relevant to the Director's character, integrity, independence and experience.
- (7) The Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the President.
- (8) The terms of reference of the Nomination Committee shall be posted on the Company's website and the Stock Exchange's website and provided to the Shareholders upon request to the Company Secretary.

#### **4. BOARD INDEPENDENCE MECHANISM**

The Company acknowledges that board independence is critical to good corporate governance. To ensure independent views and input are available to the Board, the Company has put in place the following mechanisms in the Company's corporate governance framework:

##### **A. Recruitment of INEDs**

The Nomination Committee shall be responsible for making recommendations to the Board in respect of the appointment of an INED in accordance with the Company's Nomination Policy and the terms of reference of the Nomination Committee.

##### **B. Appointment of INEDs**

Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it should set out in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (1) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;
- (2) an INED must not concurrently hold more than six directorships of issuers listed on the Main Board or GEM of the Stock Exchange after 30 June 2028; if the proposed INED will be holding his/her seventh (or more) listed company directorship before 30 June 2028 (as the due date of the transitional arrangement), the Board need to state reasons of the believes to the individual would still be able to devote sufficient time to the Board;
- (3) the perspectives, skills and experience that the individual can bring to the Board; and
- (4) how the individual contributes to diversity of the Board.

**C. Number of INEDs and their time contribution**

The Company shall include at least three INEDs and maintain the proportion of the INEDs to at least one-third of the Board in line with the requirements of Listing Rules. Further, subject to 4.B(2) above, if the proposed INED candidate will be holding his/her seventh (or more) listed company directorship, the Board would look into the reasons provided by the recruitment agencies or the referring party and be convinced that such candidate would be able to devote sufficient time to the Board before proposing him/her to be elected as an INED at the general meeting. It is the Company's expectation that all INEDs should attend the annual general meeting, all meetings of the Board and any Board committees on which he or she sits and should only miss meetings in exceptional circumstances with reasons being provided and documented.

**D. Assessment of INEDs' tenure and contribution**

If an INED has served as an INED for nine years or more as at 30 June 2028, he/she shall not continue in office at the conclusion of the annual general meeting held on or after 1 July 2028.

The review of performance and contribution of each INED will be carried out by the Nomination Committee. In conducting the evaluation, the Nomination Committee may take into account the views of other Directors and engage independent adviser(s) to assist the evaluation process if the Nomination Committee considers necessary.



**E. Availability of resources and independent advice**

To enable all Directors to discharge their duties effectively, each Director shall have the access to the information, personnel and independent advices as set out in paragraph 2.A.(13) of this Manual. Further, all standing committees set up by the Company is authorized by the Board to obtain external professional advice including but not limited to legal advice and to invite the attendance of external parties with relevant expertise and experience, should such committee considers necessary.

**5. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

**A. The main elements of the Company's remuneration policy are:**

- (1) no individual should determine his or her own remuneration;
- (2) remuneration should be broadly aligned with companies with whom the Company competes for human resources;
- (3) the Company should aim to design policies that attract and retain the executives needed to run the Company successfully and to motivate executives to pursue appropriate growth strategies while taking into account performance of the individual but the Company should avoid paying more than necessary; and

**B. remuneration should reflect performance, complexity and responsibility of the individual.**

**C. Remuneration of the Directors (including the President) and the Senior Management should be structured to include salary, bonuses, and share options in the Company, other incentive schemes or benefits in kind so as to provide them with incentives to improve their individual performance.**

**D. Non-executive Directors should be remunerated by way of fees (in the form of cash, non-cash benefits or statutory superannuation contributions). No equity-based remuneration (e.g. share options or grants) with performance-related elements should be granted to INEDs to avoid any potential bias in their decision-making which may compromise their objectivity and independence.**

**E. The amount of remuneration, both monetary and non-monetary, for the five highest paid employees, and for all Directors on an individual and named basis, for the relevant financial year shall be disclosed in the Company's annual report.**

- F. The Board shall ensure that at all times a Compensation Committee (see paragraph 3.G.) is established to review and make recommendations to the Board on the remuneration of the Directors and the Senior Management.

## **6. FINANCIAL REPORTING**

- A. The President and his management team should provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval. The Company shall, based on business situation, provide to the Board from time to time, updated business information to enable the Board as a whole and each Director to discharge their duties. The Company considers that such business information arising out of the ordinary business provided to the Board from time to time are sufficient for the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. In the event of any significant updates to be provided, the Company will update all the Directors as early as practicable for discussion and resolution.
- B. The Board should ensure that a balanced, clear and comprehensible assessment of the Company's performance, position and prospects is presented to the Shareholders. The same standard shall extend to all financial statements, published reports relating to the Company, price-sensitive announcements and other financial disclosure required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements. Regular management reports on the financial position and prospects of each business unit shall be reviewed to ensure clear and consistent disclosures to enable the Board to make an informed assessment.
- C. In preparing the Corporate Governance Report as required under paragraphs 34 and 50 of Appendix D2 to the Listing Rules, the Directors shall have regard to and comply with the requirements of the CG Code and this Manual and acknowledge in the Corporate Governance Report their responsibility for preparing the Company's accounts.
- D. Unless it is inappropriate to assume that the Company will continue in business, the Directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the Company may refer to other parts of the annual report. These references should be clear and unambiguous, and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.

## **7. RISK MANAGEMENT AND INTERNAL CONTROL**

- A. The objective of risk management and internal control is to safeguard the Company's assets against unauthorised use or disposition and to ensure that the Company's accounting records are properly maintained and all the financial information is accurate and reliable.

The Board is responsible for risk management and internal control systems of the Group and for reviewing its effectiveness annually. The review would include, amongst others, material controls, including financial, operational and compliance controls and material risk relating to ESG as referred in the Environmental, Social and Governance Reporting Code as contained in Appendix C2 of the Listing Rules. The Board takes the view that such systems are designed to manage rather than eliminate the risks and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board is assisted by the audit department which conducts, on regular basis, audits of the practices, procedures, expenditures and internal controls of all business units and subsidiaries. The review should cover all material controls, including financial, operational and compliance controls. The Board or the Senior Management may also request the audit department to review specific areas of concern.

Concerns which have been reported by the Group Internal Auditor are monitored regularly by the management to ensure that appropriate remedial measures have been implemented.

The Board periodically reviews its internal control and risk management systems for the Company to ensure their effectiveness and efficiency. The Board should ensure that the review of the effectiveness of the Company and its subsidiaries' risk management and internal control systems be conducted annually and is adequately resourced. The scope of the review should cover all material controls, including financial, operational and compliance controls, and should, in particular, consider:

- (1) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the Company's ability to respond to changes in its business and the external environment;
- (2) the scope and quality of the President and the management team's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;

- (3) the extent and frequency of communication of monitoring results to the Board (or Committee(s)) for the purposes of assessing the adequacy and the effectiveness of the Company's risk management and internal control system;
- (4) significant control failings or weaknesses that have been identified during the review of the risk management and internal control system, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition, and any remedial measures taken to address such control failings or weaknesses;
- (5) the effectiveness of the Company's processes for financial reporting and Listing Rule compliance; and
- (6) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, and financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

B. Details of the review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems under Code Provision D.2.1, which shall be conducted annually, including:

- (1) a statement from the Board: (i) acknowledging its responsibility for the Company's risk management and internal control systems; and (ii) confirming that the Company's risk management and internal control systems are appropriate and effective for the purposes set out in Principle D2 of the Corporate Governance Code;
- (2) the main features of the risk management and internal control systems, including the process used to identify, evaluate and manage significant risks, and the procedures for the timely, accurate and complete disclosure of disclosable information, including inside information and any other information required to prevent a false market in the Company's securities;
- (3) any significant changes during the reporting period in (i) the Company's assessment of risks (including ESG risks) and (ii) the risk management and internal control systems;
- (4) whether the Company has an internal audit function;

- (5) the responsibilities of audit department of the Company and external providers for reviewing the effectiveness of the Company's risk management and internal control systems, the process used to conduct those reviews and their frequency;
  - (6) information supporting the Board's conclusion that the risk management and internal control systems are appropriate and effective, including any confirmations received (as applicable) from: management, the relevant Board committee(s) with responsibility for the Company's risk management and internal controls and any other internal departments, the Company's independent auditors, and/or other external providers; and
  - (7) scope of the review and details of review findings, including any significant control failings or weaknesses that were identified in the current reporting period, or that were previously reported but remain unresolved, and any remedial steps taken or proposed to address such control failings or weaknesses.
- C. The Company should establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee (or any designated committee comprising a majority of INEDs) about possible improprieties or concerns in any matter related to the Company.
- D. The Company should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.
- E. The Group Internal Auditor reports to the Board and the President. He or his designated delegate attends all meetings of the Audit Committee and where appropriate, raises concerns about possible improprieties in financial reporting, internal control, business ethics, conflicts of interests or other policy violations. The Group Internal Auditor meets the Company's auditors as and when required regarding any significant changes, deficiencies and material weaknesses in and fraud related to internal controls.
- F. To regulate share dealings by Directors, Corporate Management and Operating Management, and certain employees of the Group in relation to shares, options and other securities of the Company, and to promote ethical and responsible practices, the Board shall ensure that the Company shall maintain in effect the Code of Ethics and Securities Transactions. The provisions of the Code of Ethics and Securities Transactions shall be no less exacting than those of the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules. All Directors, in any event, are required to comply with the Model Code.

## 8. SHAREHOLDERS ENGAGEMENT

- A. The Board has the overall responsibility to ensure that the Company maintains on-going dialogue with the Shareholders to provide them with necessary information to evaluate the performance of the Company, and in particular, use formal meetings (including general meetings) and other appropriate channels under the shareholders' communication policy to communicate with them and encourage their participation. In addition, the Company should ensure that Shareholders are given sufficient advance notice of Shareholders meetings and provide sufficient information to enable Shareholders to familiarise themselves with the detailed procedures for conducting a poll, and should arrange to address questions from Shareholders in the Shareholders meetings.

There are considerable discussions on the subject of "selective disclosures". This is the provision of information disclosed to certain market participants before they are generally available to the Shareholders and the general public. The Company is aware of its obligations under the Listing Rules. It recognises that some investors and analysts have more and active interests than others in the affairs of the Company. The Company maintains a policy of open and regular communication and fair disclosure. Based on this policy, legitimate questions arising from generally disclosed information deserves a reasonable reply.

The Board Office, led by an Executive Director and the Company Secretary of the Company, is responsible for investor relationship functions and responds to enquiries of shareholders and the investment community. The Board, in particular the INED, should be accessible to Shareholders to facilitate constructive engagement and to understand their views on matters affecting the Company, including governance and performance against the Company's corporate strategy. The Board should include in the Corporate Governance Report information on engagement conducted with Shareholders during the reporting period, including:

- (a) the nature and number / frequency of the engagements conducted;
- (b) the group(s) of Shareholders involved in these engagements;
- (c) the representatives of the Company involved in these engagements (e.g. chief executive, chairman of the Board, INED, Board committee chairmen and members of senior management); and
- (d) the Company's approach to following up on the outcomes of these engagements.

B. Information relating to the Company is communicated to the Shareholders through the following means:

- (1) annual and interim reports of the Company are distributed to all Shareholders in accordance with the requirements of the Listing Rules;
- (2) announcements relating to the Company's interim and annual results and on other occasions under the continuous disclosure requirements under the Listing Rules;
- (3) the Company's website which includes, inter alia, corporate information of the Company such as the Board and corporate governance, results of the Company (annual and interim), the Company's presentation materials and press releases; and
- (4) general meetings of the Company which provides an important opportunity for constructive communication between the Board, the Senior Management and the Shareholders.

Dissemination of information to the public (including any media or securities analyst) must be in compliance with the applicable laws (including but not limited to the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")). For instance, disclosure of notifiable transactions, connected transactions (both as defined under the Listing Rules) and/or information which are subject to the continuing disclosure obligations under the Listing Rules (such as change in directorate or supervisory committee and/or proposed alternation of the Articles of Association) must be in compliance with the requirements under the Listing Rules which, where applicable, may include publication of both the announcement and/or circular for purpose of obtaining (independent) Shareholders' approval or pre-vetting from the Stock Exchange in advance. There are also statutory obligations to disclose inside information (as defined under the SFO) under Part XIVA of the SFO. In this regard, all officers and employees shall strictly follow the internal manuals and policies in relation to the disclosure of inside information such as completing the internal registration forms in a timely manner for internal identification of potential inside information, who have access to such information and how those information should be disclosed. All employees shall also follow the internal procedures for reviewing presentation materials in advance before they are released at analysts' or media briefings.



All officers and employees of the Company, as well as any person who may have known the inside information and/or information in relation to notifiable transactions and/or matters of the Company which are subject to the specific disclosure requirements under the Listing Rules must take reasonable measures to preserve the confidentiality of the information in accordance with the Company's Management Measures for Inside Information before such information is formally released to the public. These information shall first be disseminated via the electronic publication system operated by the Stock Exchange before the information is released via other channels, such as the press or posting on the corporation's website.

C. General meetings of the Company

The Company regards the AGM as an important opportunity for constructive communication between the Board, the Senior Management and the Shareholders.

- (1) The following persons should attend the AGM to answer questions raised at the meeting:
  - (a) Chairman of the Board;
  - (b) the chair of the Audit Committee, the Compensation Committee and the Nomination Committee or failing him, another member of the relevant Committee or, his duly appointed delegate; and
  - (c) the external auditors of the Company.

In addition, INEDs and other Non-executive Directors should also attend the meeting to gain and develop a balanced understanding of the views of the Shareholders and should only miss meeting in exceptional circumstances with reasons being provided and documented.

- (2) The chairman of the independent Board Committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent Shareholders' approval.



- (3) For each substantially separate issue proposed at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The Company should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the Company should explain the reasons and material implications in the notice of the meeting.
- (4) Under normal circumstances, the Board should encourage full and active participation of the Shareholders at general meetings and the chairman of the meeting shall allow a reasonable opportunity for the Shareholders to ask questions of the auditors regarding the audit and the auditors’ report.
- (5) The Company shall arrange for the notice to the Shareholders to be sent for AGMs at least 21 days before the meeting and to be sent at least 14 days for all other general meetings.
- (6) The Company shall ensure that the Shareholders are familiar with the detailed procedures for conducting a poll and should arrange to address questions from Shareholders in the shareholders meetings.