

**VALUE CONVERGENCE  
HOLDINGS LIMITED**

**CODE ON  
CORPORATE GOVERNANCE**

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## A. INTRODUCTION

### Group Profile

1. Value Convergence Holdings Limited (“**Value Convergence**” or the “**Company**”), was listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) since April 2001. The Company has transferred the listing of its shares from the GEM to the Main Board of the Hong Kong Stock Exchange on 15 August 2008 (Stock Code: 821).
2. Value Convergence is an established financial services group committed to delivering premier financial services and products to fulfill investment and wealth management needs of clients in the Greater China Region. The Company and its subsidiaries’ (collectively the “**Group**”) expertise include securities, futures and options brokerage, asset management, corporate finance services in relation to sponsoring and underwriting initial public offerings and mergers and acquisitions.

### Our Mission

3. Our mission is to:
  - (a) Become the leader in the financial services industry in the Greater China Region.
  - (b) Vigorously practise the highest social and ethical principles, by maintaining high standards of corporate governance and management ethics, by acting as a responsible employer providing excellent conditions and opportunities for employees, and by adopting a responsible and caring role in our wider society.

### Our Values

4. Value Convergence believes that corporate governance is, above all, a matter of shared values and culture and is committed to promoting good ethical standards and a culture of honesty and integrity among its own employees. Value Convergence recognises the importance of these core values to its long term interests and the continued development and growth of its businesses.

### The Value Convergence Code on Corporate Governance

5. This Corporate Governance Code (the “**Code**”) sets out the corporate governance standards and practices used by Value Convergence to direct and manage its business and affairs. Value Convergence is committed to promoting and maintaining the highest standard of good corporate governance, with the objectives of (i) the maintenance of responsible decision making, (ii) the improvement in transparency and disclosure of information to shareholders, (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of shareholders, and (iv) the improvement in management of risk and the enhancement of performance by the Company.

6. This Code is prepared with reference to the principles, code provisions and recommended best practices set out in the Corporate Governance Code practices issued by the Hong Kong Stock Exchange (the “**HKSE Code**”), which came into effect on 1 January 2005. Value Convergence welcomes the introduction of the HKSE Code, which has provided us with this opportunity to formalise and review our existing corporate governance practices. To the extent that this Code deviates from the HKSE Code, this is either explained in this Code or will be set out in the Corporate Governance Reports which will be included in our annual and interim reports in the future.
7. Value Convergence will continue to review and update the Company's corporate governance practices, as described in this Code, to maintain our commitment to the standards of transparency and corporate governance which our stakeholders expect from us.

## **B. THE BOARD AND THE DIRECTORS**

### **The Board**

1. The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company’s business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chief Executive Officer, the Executive Committee and the Management. Each Director has a duty to act in good faith in the interests of the Company.
2. Duties of the Board include:
  - (a) establishing the strategic objectives and direction of the Company and determining the Company's values and standards;
  - (b) setting the objectives of Management and monitoring the performance of Management, including the development and implementation of the Company's strategic objectives;
  - (c) overseeing the management of the Company's relationships with its stakeholders;
  - (d) ensuring that appropriate controls are in place to assess and manage risk; and
  - (e) reviewing the contribution required from the director regularly to perform his/her responsibilities to the Company, and whether he/she is spending sufficient time performing them
3. The Board meets, either in person or through electronic means of communication, at least quarterly. Active participation at each meeting of the Board of the majority of Directors is expected. Obtaining Board consent through the circulation of written resolutions will not be treated as one of the quarterly board meetings referred to above, which are referred to as "regular" board meetings in the HKSE Code and in this Code. A.1.1
4. All Directors have the opportunity to include matters in the agenda for a regular Board meeting. A.1.2

5. At least 14 days' notice is required to be given of a regular Board meeting, to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice is given. A.1.3
6. In respect of regular Board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a Board or Board Committee Meeting (or other agreed period). A.7.1
7. Management is responsible for providing the Board and any Board Committees with adequate information, which is complete and reliable, in a timely manner to enable the Directors to make an informed decision on the matters being considered by them. Where any Director requires more information than is volunteered by Management, he will make further enquiries of the Management when necessary. The Board and individual Directors have separate and independent access to the Company's Senior Management. A.7.2
8. All Board papers and related materials are required to be prepared to a standard which will enable the Board to make informed decisions on the matters placed before it. All Directors are entitled to have access to those Board papers and related materials and, where queries raised by Directors, responses must be provided as promptly and fully as possible. A.7.3
9. All Directors have access to the advice and services of the Company Secretary with a view to ensure that Board procedures, and all applicable laws, rules and regulations, are complied with. F.1.4
10. Minutes of each Board meeting and each Board Committee meeting are kept by the secretary of the relevant meeting and are available for inspection by any Director during office hours on reasonable notice. A.1.4
11. Minutes record in sufficient detail the matters considered by the relevant meeting and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes are sent to all Directors for their comments and records respectively, within a reasonable time after the relevant meeting is held. A.1.5
12. The Board has agreed a procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances in the furtherance of their duties, at the Company's expense. The procedures are as follows: A.1.6
  - (a) a Director requiring separate independent professional advice to assist the relevant Director to discharge his/her duties to the Company should ask the Company Secretary to arrange for such advice to be provided and should give reasons for the request. The Company Secretary will then arrange for an independent professional adviser (determined by agreement with the Director) to be appointed and for the fees to be borne by the Company and will inform the Board of these arrangements;

- (b) if the Company Secretary does not consider the request for separate independent professional advice to be reasonable, or the Director concerned is dissatisfied with the arrangements proposed by the Company Secretary, either of them may inform the Chairman who will review the matter and determine as he thinks appropriate.
13. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by holding a Board meeting or a meeting of an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting, and not by way of circulation of a written resolution. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meetings. Attendance by electronic means including telephonic or videoconferencing is counted as attendance at a physical board meeting. A.1.7
14. The Company has arranged appropriate insurance cover in respect of legal action against all Directors. A.1.8

### **Board Composition**

15. The composition of the Board is such that it has a balance of skills and experience appropriate for the requirements of the business of the Company. The Board includes a balanced composition of Executive, Non-executive and Independent Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The Non-executive Directors are of sufficient calibre and number for their views to carry weight. A.3
- To meet the requirements under Rule 3.10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), the Board must include at least three Independent Non Executive Directors. (The Company must appoint independent non-executive Directors representing at least one-third of the Board by 31 December 2012.)
16. The Independent Non-executive Directors are identified in all corporate communications that disclose the names of the Directors of the Company. A.3.1
17. An updated list of Directors identifying their role and function and whether they are independent non-executive Directors has to maintain on the websites of the Company and the Hong Kong Stock Exchange. A.3.2
18. The views of Management are represented at meetings of the Board by the presence of the Chief Executive Officer and other Executive Directors, as well as by the attendance of other senior executives at Board meetings when required.

### **Responsibilities of Directors**

19. The directors, collectively and individually, are aware of their responsibilities to the Company's shareholders for the conduct, business activities and development of the Company. Nonexecutive Directors have the same duties of care and skill and fiduciary duties as Executive Directors.

20. Each newly appointed Director receives a comprehensive, formal and tailored induction on his/her appointment. Subsequently he/she should receive any briefing and professional development necessary to ensure that he/she has a proper understanding of the operations and business of the Company and that he is fully aware of his/her responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the business and governance policies of the Company. A.6.1
21. Every Director is required to ensure that he/she can give sufficient time and attention to the affairs of the Company. A.6.3
22. The functions of the Non-executive Directors include, but are not limited to, the following: A.6.2
- (a) participating 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) taking the lead where potential conflicts of interest arise;
  - (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and
  - (d) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.
23. The views of the Independent Non-executive Directors carry significant weight in the Board's decision making process. The Independent Non-executive Directors help ensure that the interests of all shareholders are properly taken into account by the Board.
24. All Directors are required to comply with their obligations under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules in respect of their dealings in shares of the Company. The Board has established a "Code of Securities Dealings by Relevant Employees" for its relevant employees in respect of their dealings in the securities of the Company. A.6.4
25. All Directors are required to participate in continuous professional development to develop and refresh their knowledge and skills, which is to ensure that their contribution to the Board remains informed and relevant. The Company will be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the Directors. Each Director is required to provide a record of the training they received to the Company. A.6.5

26. Each Director is required to disclose to the Company at the time of his/her appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. A.6.6
27. Independent Non-executive Directors and Non-executive Directors, as equal Board members, is required to give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. A.6.7
28. Independent Non-executive Directors and Non-executive Directors are requested to make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. A.6.8

### **Appointment, Re-election and Removal of Directors**

29. Value Convergence has a formal, considered and transparent procedure for the appointment of new Directors. Such an appointment is initially considered by the Nomination Committee and is subject to a decision of the full Board. A.4
30. All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment. A.4.2
31. Every Director, including those appointed for a specific term, is subject to retirement by rotation at least once every three years. A.4.2
32. Non-executive Directors are not appointed for a specific term. This is a deviation from paragraph A.4.1 of the HKSE Code. However, all Directors (including Non-executive Directors) are subject to retirement by rotation as described in paragraph 31 above and 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 Company's shareholders. A.4.1
33. The appointment of any Independent Non-executive Director, who serves more than 9 years, is subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he/she still independent and should be re-elected. A.4.3

## **C. THE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

### **Chairman**

1. The posts of Chairman and Chief Executive Officer are separate, to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. This is to ensure a balance of power and authority, so that power is not concentrated in any one individual. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established and set out in writing. A.2.1

2. The responsibilities of the Chairman include:
- (a) ensuring that all Directors are properly briefed on issues arising at Board meetings; A.2.2
  - (b) ensuring all Directors receive adequate information, which is accurate, clear, complete and reliable, in a timely manner; A.2.3
  - (c) providing leadership for the Board; A.2.4
  - (d) ensuring that the Board works effectively, performs its responsibilities and discusses all key and appropriate issues in a timely manner; A.2.4
  - (e) ensuring that good Corporate Governance practices and procedures are established; A.2.5
  - (f) encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Company; A.2.6
  - (g) encouraging Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus; A.2.6
  - (h) holding meetings with the Non-executive Directors and Independent Non-executive Directors without the Executive Directors present at least once a year; A.2.7
  - (i) ensuring appropriate steps are taken to provide effective communication with shareholders and that their view are communicated to the Board as a whole; A.2.8
  - (j) chairing Board and shareholders' meetings;
  - (k) 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. A.2.9

### **Chief Executive Officer**

3. The responsibilities of the Chief Executive Officer include:
- (a) the conduct of the affairs and management responsibilities of the Company delegated to him by the Board;
  - (b) providing leadership for Management;
  - (c) overseeing the implementation by the Company of the strategies and objectives determined by the Board and reporting to the Board on material developments in the Company's business and the implementation of those strategies;
  - (d) providing all such information to the Board as is necessary to enable the Board to make an informed assessment of any matter put before the Board for approval and to monitor the performance of Management;

- (e) leading the management of the Company's relationships with its stakeholders;
- (f) establishing and maintaining proper risk management controls and systems;  
and
- (g) discharging such other duties and authorities as may be delegated to him by the Board from time to time.

## **D. BOARD COMMITTEES**

1. The Board has established the following Board Committees with specific written terms of reference: D.2.1
  - (a) Executive Committee.
  - (b) Audit Committee.
  - (c) Remuneration Committee.
  - (d) Nomination Committee.
  - (e) Finance Committee.
  - (f) Regulatory Compliance Committee.

A further description of each of the Committees is set out below.

2. The terms of reference of each Board Committee require such Committees to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so. D.2.2
3. Management and third parties are co-opted to the Committees as required.
4. The Company Secretary is responsible for ensuring that the Board Committees are provided with sufficient resources, at the Company's expense, to discharge their duties properly. A.5.4  
B.1.4  
C.3.6

### **Executive Committee**

5. Two or more Executive Directors serve on the Executive Committee. In addition, certain members of Management are or may be co-opted to the Executive Committee in a non-voting capacity. The Executive Committee meets as and when required.
6. The Executive Committee has specific written terms of reference, which include the following duties and powers:
  - (a) to oversee the implementation of the Company's strategic objectives and risk management policies;
  - (b) to oversee the business and operations of all of the business units of the Group;
  - (c) to put in place programs for management development and succession of management personnel;

- (d) to oversee the realisation by the Company of the strategic objectives set by the Board;
- (e) to approve any transaction, financing decision or capital expenditure decision not exceeding specified limits;
- (f) to discharge such other duties and authorities as may be delegated to it by the Board;
- (g) to report to the Board in relation to significant decisions and recommendations of the Executive Committee which ought properly to be brought to the attention of the full Board;
- (h) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; D.3.1(a)
- (i) to review and monitor the training and continuous professional development of Directors and Senior Management; D.3.1(b)
- (j) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; D.3.1(c)
- (k) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and D.3.1(d)
- (l) to review the Company's compliance with the code and disclosure in the Corporate Governance Report. D.3.1(e)

### **Audit Committee**

- 7. The Audit Committee is composed entirely of Non-executive Directors and shall consist of not less than three members, a majority of whom are Independent Non-executive Directors. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise, as required by the Listing Rules. The Audit Committee meets not less than two times each year. The Audit Committee must be chaired by an Independent Non-executive Director. C.3
- 8. The Audit Committee has specific written terms of reference, which are available on the websites of the Company and the Hong Kong Stock Exchange and in writing upon request to the Company Secretary. The terms of reference of the Audit Committee include the following: C.3.4

#### *Relationship with the Company's external auditor*

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; C.3.3(a)
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; C.3.3(b)

- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; C.3.3(b)
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services and report to the Board, identifying and making recommendations on any matters where action or improvement is needed; C.3.3(c)
- (e) to act as the key representative body for overseeing the Company's relations with the external auditor;

*Review of the Company's financial information*

- (f) to monitor the integrity of the Company's financial statements and annual report and accounts and half-year report and to review significant financial reporting judgements contained in them. In reviewing the Company's annual report and accounts and half-year report before submission to the Board, the Audit Committee is required to focus particularly on: C.3.3(d)
  - (i) any changes in accounting policies and practices;
  - (ii) major judgemental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.
- (g) in relation to (f) above, members of the Audit Committee are required to: C.3.3(e)
  - (i) liaise with the Board and Management;
  - (ii) meet with the Company's external auditors at least twice a year; and
  - (iii) consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors;

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

- (h) to review the Company's financial controls, internal control and risk management systems; C.3.3(f)
- (i) to discuss the internal control system with Management to ensure that Management has performed its duty to have an effective internal control system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; C.3.3(g)

- (j) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and Management's response to these findings; C.3.3(h)
- (k) to ensure coordination between the Company's internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; C.3.3(i)
- (l) to review the Group's financial and accounting policies and practices; C.3.3(j)
- (m) to review the external auditor's management letter, any material queries raised by the auditor to Management about accounting records, financial accounts or systems of control and Management's response; C.3.3(j)  
C.3.3(k)
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; C.3.3(l)
- (o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action; C.3.7

*General*

- (n) to report to the Board on the matters in the code provision of the HKSE Code of the Listing Rules; C.3.3(m)
  - (o) to consider any other topics specified by the Board; and C.3.3(n)
  - (p) to report to the Board in relation to any other significant decisions and recommendations of the Audit Committee which ought properly to be brought to the attention of the full Board.
9. Full minutes of Audit Committee meetings are kept by the secretary of the meeting (who will normally be the Company Secretary). Draft and final versions of minutes of the Audit Committee meeting are required to be sent to all members of the Audit Committee for their comments and record respectively, in both cases within a reasonable time after the meeting. C.3.1
  10. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company will include in its Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view. C.3.5
  11. The Audit Committee will be provided with sufficient resources to discharge its duties. C.3.6

12. A former partner of the Company's existing auditing firm is prohibited from acting as a member of the Company's Audit Committee for a period of one year from the date of his ceasing: C.3.2

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is later.

13. The Board has established formal and transparent arrangements for applying financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's external auditors.

### **Remuneration Committee**

14. The Board has established a Remuneration Committee consisting of not less than three members, a majority of whom are Independent Non Executive Directors. The Remuneration Committee must be chaired by an Independent Non-executive Director.

15. The Remuneration Committee has been established with specific written terms of reference which deal clearly with its authorities and duties, which include the following:

- (a) to make recommendations to the Board on the policies and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; B.1.2(a)
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; B.1.2(b)
- (c) either (i) to determine, with delegate responsibilities, the remuneration packages of individual Executive Directors and Senior Management; or (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and Senior Management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; B.1.2(c)
- (d) to make recommendations to the Board on the remuneration of Non-executive Directors; B.1.2(d)
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; B.1.2(e)
- (f) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; B.1.2(f)

- |     |   |          |
|-----|---|----------|
| (g) | to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and                      | B.1.2(g) |
| (h) | to ensure that no Director or any of his associates is involved in deciding his own remuneration.   | B.1.2(h) |
| 16. | The Remuneration Committee consult with the Chairman and/or the Chief Executive Officer about their remuneration proposals for other Executive Directors and Senior Management and has access to professional advice if considered necessary. | B.1.1    |
| 17. | The terms of reference of the Remuneration Committee are available on the websites of the Company and the Hong Kong Stock Exchange and in writing upon request to the Company Secretary.  | B.1.3    |
| 18. | The Remuneration Committee will be provided with sufficient resources to discharge its duties.  | B.1.4    |

### **Nomination Committee**

- |     |   |          |
|-----|---|----------|
| 19. | The Board has established a Nomination Committee consisting of a minimum of three Directors, a majority of whom are Non-executive Directors. The Nomination Committee must be chaired by the Chairman of the Board or Independent Non-executive Director. | A.5.1    |
| 20. | The Nomination Committee has been established with specific written terms of reference which deal clearly with the Committee's authority and duties, which include the following:   | A.5.2    |
| (a) | review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement its corporate strategy;                            | A.5.2(a) |
| (b) | identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship;   | A.5.2(b) |
| (c) | assess the independence of independent non-executive directors; and   | A.5.2(c) |
| (d) | make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.  | A.5.2(d) |
| (f) | to exercise such other power, authorities and discretions, and perform such other duties, of the Directors in relation to the nomination of directors as the Board may from time to time delegate to it, having regard to the HKSE; and                   |          |
| (g) | in exercising its power, authorities and discretions and performing its duties, the Nomination Committee shall take full account of the Code and the Listing Rules.   |          |

21. The Nomination Committee meets as and when required, but not less than once a year. Additional meetings shall be held as the work of the Nomination Committee demands.
22. The Nomination Committee has specific written terms of reference, which are available on the websites of the Company and the Hong Kong Stock Exchange and in writing upon request to the Company Secretary. A.5.3

### **Finance Committee**

23. The Finance Committee meets as and when required to review the financial operations of the Company. Such reviews include Group wide financial, accounting, treasury and risk management policies, major financing transactions, corporate plans and budgets. The Finance Committee also reviews major acquisitions and investments and their funding requirements.
24. The Finance Committee is composed of not less than two Executive Directors. In addition, the Chief Financial Officer is co-opted to the Finance Committee in a non-voting capacity. The Board may from time to time co-opt such other members of Management to the Finance Committee in a non-voting capacity as the Board considers desirable.

### **Regulatory Compliance Committee**

25. The Board has established a Regulatory Compliance Committee, which meets as and when required to review and advise upon matters in respect of the present or future regulation of the Company's financial services businesses and compliance with applicable laws and regulations, including the Listing Rules.
26. The Regulatory Compliance Committee comprises not less than three Directors. The Board may from time to time co-opt such other members of Management to the Regulatory Compliance Committee in a non-voting capacity as the Board considers desirable.

## **E. MANAGEMENT FUNCTIONS**

1. The Board has established in writing which issues require decision of the full Board and which can be delegated by the Board to Board Committees or Management. The Company reviews such arrangements periodically. D.1.2
2. When the Board delegates management and administration functions to Management, it gives clear directions as to the Management's power, in particular, where Management should report back and obtain prior Board approval before making decisions or entering into any commitments on behalf of the Company. D.1.1
3. Matters reserved to the full Board for decision include:
  - (a) the setting of the strategic direction of the Group;
  - (b) any material matters involving a conflict of interest for a substantial shareholder or a Director;

- (c) material acquisitions and disposals;
- (d) major financing and risk management policies;
- (e) major capital expenditure decisions;
- (f) dividend policy, the declaration of interim dividends and the recommendation of final dividends to shareholders;
- (g) approval of the annual operating and capital expenditure budgets for the Company;
- (h) approval of the Company's financial statements and published reports;
- (i) the adoption of, or significant changes to, accounting policies applicable to the Company's financial statements;
- (j) appointments to the Board, based on recommendations of the Nomination Committee;
- (k) appointment of the Chief Executive Officer and reviewing the performance of the Chief Executive Officer;
- (l) the appointment or removal of the Company's external auditor, based on recommendations of the Audit Committee;
- (m) changes to the terms of reference or membership of any Committee of the Board;
- (n) changes to the authority delegated by the Board to the Chief Executive Officer; and
- (o) any other matters which exceed the scope of authority delegated to the Chief Executive Officer and any Committee of the Board appointed by the Board.

## **F. ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

- |    |   |       |
|----|---|-------|
| 1  | The Company aims to present a balanced, clear and comprehensible assessment of its financial position and prospects. This extends to annual, interim and quarterly reports, other price sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as the information required to be disclosed pursuant to statutory requirements. | C.1.5 |
| 2. | Management provides sufficient explanation and information to the Board as is required to enable it to make an informed assessment of financial and other information put before it for approval.   | C.1.1 |

3. The Management will provide all Directors with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. C.1.2
4. The Directors will acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There will be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements. C.1.3
5. Unless it is inappropriate to assume that the Company will continue its business, the Directors will prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. The Directors will prominently set out and discuss at length in the Corporate Governance Report any material uncertainties relating to the Company's ability to continue as a going concern. The Corporate Governance Report will contain sufficient information so as to enable investors to understand the significance of the matters at hand. C.1.3
6. A separate statement containing a discussion and analysis of the Group's performance in the annual report, and explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives. C.1.4

#### **Internal controls**

7. The Board will ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.
8. Directors and Management will conduct a review of the effectiveness of the internal controls system of the Company and its subsidiaries at least annually and will report to shareholders that they have done so in their Corporate Governance Report. The review will cover all material controls, including financial, operational and compliance controls and risk management functions. C.2.1
9. The Board's annual review will, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. C.2.2

### **G. COMMUNICATION WITH SHAREHOLDERS**

#### **Effective Communication**

1. The Board and Senior Management recognise their responsibilities to represent the interests of the shareholders and to enhance shareholder value and are keenly aware of the benefits of maintaining an ongoing dialogue with shareholders, in particular by using annual and other general meetings to communicate with shareholders and encourage their participation. E.1
2. For each substantially separate issue at a general meeting, a separate resolution will be proposed by the Chairman of the meeting. The Company is required to avoid "bundling" resolutions unless they are interdependent and linked forming on significant proposal. For this purpose, a substantially separate issue includes the E.1.1

nomination of persons as Directors and, accordingly, each such person must be nominated by means of a separate resolution. Where the resolutions are “bundled”, the Company should explain the reasons and material implications in the notice of meeting.

3. The Board recognises that the annual general meeting provides an important opportunity for constructive communication between the Board and the Company's shareholders. Accordingly, all Directors and Senior Executives make a special effort to attend the annual general meeting. The Chairman will attend the annual general meeting and arrange for the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee, or in the absence of the chairmen of those committees, another member of the relevant committee (or failing this, his duly appointed delegate), to attend the annual general meeting and be available to answer questions. E.1.2
4. The chairman of any Independent Board Committee appointed in relation to a connected transaction, or any other transaction that is subject to independent shareholders' approval, will be available to answer questions at the general meeting convened to approve the relevant transaction. E.1.2
5. The Company will arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. E.1.3

#### **Voting by poll**

6. The Company will ensure that shareholders are familiar with the detailed procedures for conducting a poll. The chairman of a shareholders' meeting or the Company Secretary will provide an explanation at the meeting of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll. E.2.1

#### **H. 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 / or the Chief Executive Officer on governance matters and should also facilitate induction and professional development of Directors.
2. The Company Secretary should be an employee of the Company and have day-to-day knowledge of the Company's affair. F.1.1

*(Updated in March 2012)*