

## Corporate Governance Report

Tysan Holdings Limited (the “Company”) is committed to maintaining good corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). For the financial year ended 31 December 2019, the Company has fully complied with the CG Code save as disclosed in sections (B), (D) and (F) below.

### (A) Board of Directors

The board (the “Board”) of directors of the Company (“Directors”) oversees the management, business, strategic directions and financial performance of the Company and its subsidiaries (the “Group”). It has delegated the day-to-day responsibility to the executive director(s) (the “Executive Director(s)”) and senior management of the Company (the “Senior Management”) who perform their duties under the leadership of the chairman of the Company (the “Chairman”). At the time of delegation, the Board gives clear directions to Executive Director(s) as to the matters that must be approved by the Board before decisions can be made on behalf of the Group. The functions reserved to the Board and delegated to the Executive Director(s) and Senior Management are reviewed by the Board to ensure that such delegation remains appropriate to the needs of the Group. The management has ensured sufficient explanation and information were provided to the Board to enable it to make an informed assessment of financial and other information put before it for approval. The Board members have access to appropriate business documents and information about the Group on a timely basis.

### (B) Board Composition

The Board comprises a total of 11 Directors, with one Executive Director, being Mr. Fung Chiu Chak, Victor; six non-executive Directors (“Non-executive Director(s)”), being Mr. Justin Wai, Mr. Wang Tianbing, Mr. David Robert McClure, Mr. Yuen Pak Man, Ms. Gu Ye and Ms. Hou Xiangjia and four independent non-executive Directors (“Independent Non-executive Director(s)”), being Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee. The Board comprises Directors with diverse backgrounds and/or extensive expertise in the Group’s business. The Independent Non-executive Directors have a wide range of business and financial experience. They represent one-third of the Board who consistently exercise independent judgment. With a balanced composition of Executive Director and Non-executive Directors (including Independent Non-executive Directors), there is a strong independent element on the Board. The balance of skills, experience and diversity of perspectives of the Board contribute to the effective direction of the Company.

Pursuant to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the Board. On 26 October 2018, Mr. Leung Kai Cheung resigned as Independent Non-executive Director. Together with eight Executive Directors, two Non-executive Directors and four Independent Non-executive Directors, there were a total of 14 Directors at that time. On 21 January 2019, Mr. Chong Kin Ho was appointed as an additional Independent Non-executive Director. Hence, the Company has failed to meet the requirement under Rule 3.10A of the Listing Rules, where the Company is required to appoint additional independent non-executive directors representing at least one-third of the Board for the period between 26 October 2018 and 20 January 2019. Nevertheless, the Company met the requirements of Rule 3.11 of the Listing Rules that the Company should appoint an additional independent non-executive director to meet such requirement under Rule 3.10A of the Listing Rules within three months after failing to meet such requirements.

As set out in the announcement of the Company dated 11 April 2019, following the change of control of the Company, there was a change in composition of the Board and six Non-executive Directors were appointed with effect from 11 April 2019. Together with eight Executive Directors, two Non-executive Directors and five Independent Non-executive Directors, there were a total of 21 Directors at that time.

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### (B) Board Composition (Cont'd)

As further set out in the announcement of the Company dated 3 May 2019, six Executive Directors, two Non-Executive Directors and one Independent Non-executive Director resigned from the Board with effect from 3 May 2019. Following the above resignations, the Board comprises 12 members, with two Executive Directors, six Non-executive Directors and four Independent Non-executive Directors at that time. As the number of Independent Non-executive Directors represents one third of the members of the Board, the number of Independent Non-executive Directors has satisfied the requirements under Rule 3.10A of the Listing Rules.

Hence, the Company has failed to meet the requirement under Rule 3.10A of the Listing Rules, where the Company is required to appoint additional independent non-executive directors representing at least one-third of the Board for the period between 11 April 2019 and 2 May 2019.

The Company has received written confirmations of independence from all the Independent Non-executive Directors for the financial year ended 31 December 2019 in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

Changes in information of members of the Board and Board committees since the publication of the interim report of the Company for the six months ended 30 June 2019 and up to the date of this report as follows:

- (1) Mr. Lung Chee Ming, George was appointed as the a senior executive regional director of Manulife (International) Limited with effect from 1 January 2019;
- (2) Mr. David Robert McClure was appointed as the senior managing director in the Real Estate Group of Blackstone (based in Hong Kong) with effect from December 2019;
- (3) Mr. Sun Kin Ho Steven resigned as an Executive Director with effect from 1 January 2020;
- (4) Mr. Fan Chor Ho stepped down as the chairman and remained as a member of the audit committee of the Board (the "Audit Committee") with effect from 1 January 2020;
- (5) Mr. Tse Man Bun stepped down as the chairman and remained as a member of the remuneration committee of the Board (the "Remuneration Committee") with effect from 1 January 2020;
- (6) Mr. Li Kit Chee was appointed as the chairman of the Audit Committee with effect from 1 January 2020;
- (7) Mr. Lung Chee Ming, George was appointed as the chairman of Remuneration Committee with effect from 1 January 2020.
- (8) Mr. Tse Man Bun resigned as the independent non-executive director of each of HSBC Insurance (Asia) Limited and HSBC Life (International) Limited with effect from 14 February 2020;
- (9) Mr. Lau Che Hang Alex resigned as a Non-executive Director with effect from 1 April 2020;
- (10) Mr. Wu Charles Hsing-yuan resigned as a Non-executive Director with effect from 1 April 2020;
- (11) Ms. Gu Ye was appointed as a Non-executive Director with effect from 1 April 2020; and
- (12) Ms. Hou Xiangjia was appointed as a Non-executive Director with effect from 1 April 2020.

An updated list of Directors identifying their roles and functions and whether they are Executive Director, Non-executive Directors or Independent Non-executive Directors has been maintained on [www.tysan.com](http://www.tysan.com) (the "Company's website") and [www.hkexnews.hk](http://www.hkexnews.hk) (the website of Hong Kong Exchanges and Clearing Limited (the "HKEX's website")).

## Corporate Governance Report

### (C) Chairman

Mr. Justin Wai, the Chairman, provides leadership to the Board and is responsible for the formation of the Group's strategies, overall policy making, and direction of its business development. He is responsible for leading and effective running of the Board and ensuring that all significant and key issues are discussed and where required, resolved by the Board in a timely manner.

Prior to the appointment of Mr. Justin Wai on 11 April 2019, Mr. Chen Chao and Mr. Sun Kin Ho Steven were the Co-Chairmen during the period between 26 October 2018 and 10 April 2019.

Each Chairman takes primary responsibility for the following matters:

- (1) to ensure that all Directors are properly briefed on issues arising at Board meetings;
- (2) to ensure that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- (3) to ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner; drawing up and approving the agenda for each Board meeting. The Chairman should take into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate this responsibility to a designated Director or the company secretary of the Company (the "Company Secretary");
- (4) to ensure good corporate governance practices and procedures are established;
- (5) to encourage 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 interests of the Company, 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;
- (6) to hold meetings at least annually with the Independent Non-executive Directors without the other Directors' presence;
- (7) to ensure that appropriate steps are taken to provide effective communication with shareholder(s) of the Company (the "Shareholder(s)") and that their views are communicated to the Board as a whole; and
- (8) to promote 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.

Before his resignation which took effect from 11 April 2019, Mr. He Jiafu, was the vice chairman and chief executive officer of the Company who was primarily responsible for corporate finance and investment policies of the Group, the daily operations of the Group and daily management of the Board. No chief executive officer was appointed after Mr. He's resignation.

## Corporate Governance Report

### (D) Board Proceedings

The Board meets at least four times a year at approximately quarterly intervals and additional meetings will be held as and when required. During the financial year ended 31 December 2019, the Board held 15 meetings (save for the executive Board meetings held between the Executive Directors during the normal course of business of the Company). Attendance by a Director at a meeting by means of a conference telephone or other communications equipment is allowed under the bye-laws of the Company (the “Bye-laws”).

The Company Secretary assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for regular Board meetings. Pursuant to CG Code Provision A.7.1, an agenda and accompanying Board papers should be sent, in full, to all Directors for regular Board meetings and as far as practicable in all other cases. These should be sent in a timely manner and at least 3 days before the intended date of a Board or Board committee meeting (or other agreed period). Board papers for the ad-hoc Board meeting held on 11 February 2019 was sent to the Directors less than 3 days before the intended date of a Board meeting.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising at Board meetings, and that they receive in a timely manner, adequate information which are accurate, clear, complete and reliable to assist them to make informed decisions and discharge their duties as Directors. The Board members have separate and independent access to the Senior Management whenever necessary. Upon reasonable request, the Directors and Board committees will also have access to independent professional advice in appropriate circumstances at the Company’s expense. The Company has arranged appropriate insurance cover for Board members and Senior Management, and the Company reviews the coverage on an annual basis or as appropriate.

Meeting minutes of the Board and Board committees are recorded in appropriate details and draft minutes are circulated to respective members for comments before being approved by the Board and Board committees. All minutes are kept by the Company Secretary as the case may be, and are open for inspection by the Directors.

According to the Bye-laws and the Listing Rules, any material transaction that involves a conflict of interests for a substantial shareholder(s) or a Director(s) will be considered and dealt with by the Board at a duly convened Board meeting. The interested Director(s) shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Director(s) or any of his/their associates has/have a material interest.

The Company provides Board members with monthly management reports which contain changes and developments of the Group’s business and helps Board members to make informed decisions and discharge their duties and responsibilities as Board members.

## Corporate Governance Report

### (D) Board Proceedings (Cont'd)

The attendance of each Board member for the Board meetings and the general meetings held during the financial year ended 31 December 2019 is as follows:

Name of Directors	Board Meeting Attendance	Annual General Meeting Attendance
<i>Executive Directors</i>		
Mr. Fung Chiu Chak, Victor ( <i>Vice Chairman</i> )	15/15	1/1
Mr. Chen Chao <sup>(1)</sup>	2/7	–
Mr. Sun Kin Ho Steven <sup>(2)</sup>	12/15	1/1
Mr. He Jiafu <sup>(1)</sup>	1/7	–
Mr. Liu Junchun <sup>(1)</sup>	7/7	–
Mr. Huang Qijun <sup>(1)</sup>	3/7	–
Mr. Guo Ke <sup>(1)</sup>	4/7	–
Mr. Zhang Peihua <sup>(1)</sup>	3/7	–
<i>Non-executive Directors</i>		
Mr. Justin Wai <sup>(3)</sup> ( <i>Chairman</i> )	7/8	1/1
Mr. Wang Tianbing <sup>(3)</sup>	5/8	0/1
Mr. David Robert McClure <sup>(3)</sup>	2/8	0/1
Mr. Lau Che Hang Alex <sup>(4)</sup>	3/8	0/1
Mr. Wu Charles Hsing-yuan <sup>(4)</sup>	5/8	0/1
Mr. Yuen Pak Man <sup>(3)</sup>	6/8	1/1
Mr. Tang King Shing <sup>(1)</sup>	5/7	–
Mr. Yang Han Hsiang <sup>(1)</sup>	6/7	–
<i>Independent Non-executive Directors</i>		
Mr. Fan Chor Ho	14/15	0/1
Mr. Tse Man Bun	15/15	0/1
Mr. Lung Chee Ming, George	12/15	1/1
Mr. Li Kit Chee	14/15	1/1
Mr. Chong Kin Ho <sup>(5)</sup>	5/6	–

Notes:

1. Resignation effective from 3 May 2019
2. Resignation effective from 1 January 2020
3. Appointment effective from 11 April 2019
4. Appointment effective from 11 April 2019 and resignation effective from 1 April 2020
5. Appointment effective from 21 January 2019 and resignation effective from 3 May 2019

## Corporate Governance Report

### (E) Directors' Continuous Professional Development

All Board members are encouraged to attend training courses relevant on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates at the Company's expenses.

During the year under review, Board members have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors, and provided the Company with their records of the training received for the year which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials. A summary of the records of their training is as follows:

Name of Directors	Reading Regulatory Updates	Attending trainings/ briefings/seminars/ conference relevant to Directors' duties
<i>Executive Directors</i>		
Mr. Fung Chiu Chak, Victor ( <i>Vice Chairman</i> )	✓	✓
Mr. Chen Chao <sup>(1)</sup>	✓	✓
Mr. Sun Kin Ho Steven <sup>(2)</sup>	✓	✓
Mr. He Jiafu <sup>(1)</sup>	✓	✓
Mr. Liu Junchun <sup>(1)</sup>	✓	✓
Mr. Huang Qijun <sup>(1)</sup>	✓	✓
Mr. Guo Ke <sup>(1)</sup>	✓	✓
Mr. Zhang Peihua <sup>(1)</sup>	✓	✓
<i>Non-executive Directors</i>		
Mr. Justin Wai <sup>(3)</sup> ( <i>Chairman</i> )	✓	✓
Mr. Wang Tianbing <sup>(3)</sup>	✓	✓
Mr. David Robert McClure <sup>(3)</sup>	✓	✓
Mr. Lau Che Hang Alex <sup>(4)</sup>	✓	✓
Mr. Wu Charles Hsing-yuan <sup>(4)</sup>	✓	✓
Mr. Yuen Pak Man <sup>(3)</sup>	✓	✓
Mr. Tang King Shing <sup>(1)</sup>	✓	✓
Mr. Yang Han Hsiang <sup>(1)</sup>	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Fan Chor Ho	✓	✓
Mr. Tse Man Bun	✓	✓
Mr. Lung Chee Ming, George	✓	✓
Mr. Li Kit Chee	✓	✓
Mr. Chong Kin Ho <sup>(5)</sup>	✓	✓

Notes:

1. Resignation effective from 3 May 2019
2. Resignation effective from 1 January 2020
3. Appointment effective from 11 April 2019
4. Appointment effective from 11 April 2019 and resignation effective from 1 April 2020
5. Appointment effective from 21 January 2019 and resignation effective from 3 May 2019

## Corporate Governance Report

### (F) Appointment, Re-Election and Removal of Directors

The Company has a formal, considered and transparent procedure for the appointment and removal of Directors. The nomination committee of the Board (“Nomination Committee”) led by the Chairman and comprising an Executive Director, a Non-executive Director and all of the Independent Non-executive Directors, plays an important role to identify and nominate suitable candidates for the Board’s consideration as additional Directors or to fill in casual vacancies on the Board and making recommendations to the Shareholders for nomination of Directors for re-election at general meetings. According to the Bye-laws, all Directors newly appointed to fill a casual vacancy are subject to election at the next following general meeting after their appointment. During the year, the Company has complied with the CG Code save for the following deviations.

Non-executive Directors and Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws. As such, the Board is of the view that Non-executive Directors and Independent Non-executive Directors do not have to be appointed for a specific term.

The names and biographical details of the Directors who will offer themselves for election or re-election at the next annual general meeting will be included in the circular to Shareholders containing the notice of the forthcoming annual general meeting.

### (G) Responsibilities of Directors

The Board members acknowledge their responsibility for preparing the consolidated financial statements of the Group for the financial year ended 31 December 2019.

Every Director is required to know his responsibilities as a Director and of the conduct, business activities and development of the Group, and should act in good faith, exercise due diligence and act in the best interests of the Group and its shareholders. On appointment, new Directors will receive a comprehensive, formal induction on the Group’s business and his responsibilities as a Director.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (“Model Code”) as the code of conduct regarding directors’ securities transactions. Having made specific enquiry, all the Directors have confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding Directors’ securities transactions for the year under review.

The Board would review regularly the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.

## Corporate Governance Report

### (H) Board Committees

The Board has established its Audit Committee, Remuneration Committee and Nomination Committee.

#### Audit Committee

The Audit Committee was first established in 1999. Its terms of reference were revised with reference to the CG Code which became effective on 7 May 2019 and they were published on the Company's website and the HKEX's website.

The Audit Committee is responsible for reviewing and supervising the financial reporting process, risk management and internal control system of the Group, reviewing the Group's financial information, compliance and providing advice and comments to the Board.

#### Name of Audit Committee Members

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

Mr. Li Kit Chee<sup>(1)</sup> (*Chairman of the Audit Committee*)

Mr. Fan Chor Ho<sup>(2)</sup>

Mr. Tse Man Bun

Mr. Lung Chee Ming, George

Mr. Chong Kin Ho<sup>(3)</sup>

Notes:

1. Appointed as the Chairman of the Audit Committee with effect from 1 January 2020
2. Stepped down as the Chairman of the Audit Committee with effect from 1 January 2020
3. Appointment effective from 21 January 2019 and resignation effective from 11 April 2019

Each member of the Audit Committee possesses in-depth experience in his own profession. Mr. Li Kit Chee, Mr. Fan Chor Ho and Mr. Tse Man Bun, Mr. Chong Kin Ho (the former member of the Audit Committee) possess appropriate accounting or relevant financial management expertise and meet the requirements of Rule 3.21 of the Listing Rules. The Company Secretary is the secretary of the Audit Committee. The composition of the Audit Committee complies with the requirements of chairmanship and independence of the Listing Rules.

During the year, the Audit Committee held seven meetings. The attendance of each committee member is as follows:

#### Name of Audit Committee Members

#### Attendance

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

Mr. Li Kit Chee<sup>(1)</sup> (*Chairman of the Audit Committee*)

7/7

Mr. Fan Chor Ho<sup>(2)</sup>

7/7

Mr. Tse Man Bun

7/7

Mr. Lung Chee Ming, George

5/7

Mr. Chong Kin Ho<sup>(3)</sup>

2/2

Notes:

1. Appointed as the Chairman of the Audit Committee with effect from 1 January 2020
2. Stepped down as the Chairman of the Audit Committee with effect from 1 January 2020
3. Appointment effective from 21 January 2019 and resignation effective from 11 April 2019



## Corporate Governance Report

### (H) Board Committees (Cont'd)

#### Audit Committee (Cont'd)

During the year, the Audit Committee has reviewed, inter alia, the Group's interim results for the six months ended 30 June 2019, final results for the financial year ended 31 December 2019, the terms of reference of the Audit Committee, the dividend policy, various payments of special dividend, and reviewed and discussed with the external auditor over the financial reporting of the Group. The Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed with the management in relation to auditing, system of internal control, and financial reporting matters. The Audit Committee has reviewed the connected transaction(s)/internal audit related party transaction(s) entered into by the Group during the year, made recommendation to the Board on the reappointment of the external auditor and reviewed and approved the remuneration of the external auditor.

The Audit Committee reviewed the whistleblowing policy and antibribery and anti-corruption compliance policy of the Company from time to time.

#### Remuneration Committee

The Remuneration Committee was established in 2005. Its terms of reference were revised with reference to the CG Code effective on 1 April 2012 and they were published on the Company's website and the HKEX's website. The Remuneration Committee is responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and members of the Senior Management. It is the Group's policy to provide remuneration packages at fair market value in order to attract and retain high quality staff. No Directors or any of his associates, is involved in determining his own remuneration.

#### Name of Remuneration Committee Members

##### *Executive Directors*

Mr. Fung Chiu Chak, Victor  
Mr. Sun Kin Ho Steven<sup>(1)</sup>  
Mr. He Jiafu<sup>(1)</sup>

##### *Non-executive Directors*

Mr. Justin Wai<sup>(2)</sup>  
Mr. Wang Tianbing<sup>(2)</sup>

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

Mr. Lung Chee Ming, George<sup>(3)</sup> (*Chairman of the Remuneration Committee*)  
Mr. Fan Chor Ho  
Mr. Tse Man Bun<sup>(4)</sup>  
Mr. Li Kit Chee

Notes:

1. Resignation effective from 11 April 2019
2. Appointment effective from 11 April 2019
3. Appointed as the Chairman of the Remuneration Committee with effect from 1 January 2020
4. Stepped down as the Chairman of the Remuneration Committee with effect from 1 January 2020

The composition of the Remuneration Committee complies with the requirements of chairmanship and independence of the Listing Rules.

## Corporate Governance Report

### (H) Board Committees (Cont'd)

#### Remuneration Committee (Cont'd)

During the financial year ended 31 December 2019, the Remuneration Committee held four meetings and the attendance of each committee member is as follows:

Name of Remuneration Committee Members	Attendance
<i>Executive Directors</i>	
Mr. Fung Chiu Chak, Victor	3/4
Mr. Sun Kin Ho Steven <sup>(1)</sup>	2/2
Mr. He Jiafu <sup>(1)</sup>	0/2
<i>Non-executive Directors</i>	
Mr. Justin Wai <sup>(2)</sup>	2/2
Mr. Wang Tianbing <sup>(2)</sup>	0/2
<i>Independent Non-executive Directors</i>	
Mr. Lung Chee Ming, George <sup>(3)</sup> (Chairman of the Remuneration Committee)	4/4
Mr. Fan Chor Ho	4/4
Mr. Tse Man Bun <sup>(4)</sup>	4/4
Mr. Li Kit Chee	4/4

Notes:

1. Resignation effective from 11 April 2019
2. Appointment effective from 11 April 2019
3. Appointed as the Chairman of the Remuneration Committee with effect from 1 January 2020
4. Stepped down as the Chairman of the Remuneration Committee with effect from 1 January 2020

During the year, the Remuneration Committee has made recommendation to the Board on the remuneration packages and discretionary bonuses of the Executive Director(s), the Non-executive Directors and Senior Management for the Board's consideration. Such packages include benefits in kind, pension rights (or its equivalent, where appropriate) and compensation payments, including any compensation payable for loss or termination of their office or appointment, as the case may be.

Pursuant to code provision B.1.5 of the CG Code, details of the annual remuneration of the members of the Senior Management by band for the financial year ended 31 December 2019 is as follows:

	Number of employees
HK\$3,000,001 to HK\$3,500,000	1
HK\$3,500,001 to HK\$4,000,000	2
HK\$4,000,001 to HK\$4,500,000	–
HK\$4,500,001 to HK\$5,000,000	1
HK\$5,000,001 to HK\$5,500,000	1
	5

Details of the remuneration of each Director for the financial year ended 31 December 2019 are set out in note 8 to the consolidated financial statements of the Group.

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### (H) Board Committees (Cont'd)

#### Nomination Committee

The Nomination Committee was established on 28 March 2012. Its terms of reference were adopted with reference to the CG Code effective on 7 May 2019 and they were published on the Company's website and the HKEX's website.

The Nomination Committee is responsible for, among other things, reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Board members as well as succession planning for Directors to the Board.

#### Name of Nomination Committee Members

##### *Executive Directors*

Mr. Fung Chiu Chak, Victor<sup>(1)</sup>

Mr. Sun Kin Ho Steven<sup>(2)</sup>

Mr. He Jiafu<sup>(2)</sup>

##### *Non-executive Directors*

Mr. Justin Wai<sup>(1)</sup> (*Chairman of the Nomination Committee*)

Mr. Wang Tianbing<sup>(1)</sup>

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

Mr. Fan Chor Ho

Mr. Tse Man Bun

Mr. Lung Chee Ming, George

Mr. Li Kit Chee

#### Notes:

1. Appointment effective from 11 April 2019
2. Resignation effective from 11 April 2019

The composition of the Nomination Committee complies with the requirements of chairmanship and independence of the Listing Rules.

## Corporate Governance Report

### (H) Board Committees (Cont'd)

#### Nomination Committee (Cont'd)

During the financial year ended 31 December 2019, the Nomination Committee held four meetings and the attendance of each committee member is as follows:

Name of Nomination Committee Members	Attendance
<i>Executive Directors</i>	
Mr. Fung Chiu Chak, Victor <sup>(1)</sup>	2/2
Mr. Sun Kin Ho Steven <sup>(2)</sup>	2/2
Mr. He Jiafu <sup>(2)</sup>	0/2
<i>Non-executive Directors</i>	
Mr. Justin Wai <sup>(1)</sup> (Chairman of the Nomination Committee)	2/2
Mr. Wang Tianbing <sup>(1)</sup>	1/2
<i>Independent Non-executive Directors</i>	
Mr. Fan Chor Ho	4/4
Mr. Tse Man Bun	4/4
Mr. Lung Chee Ming, George	3/4
Mr. Li Kit Chee	4/4

Notes:

1. Appointment effective from 11 April 2019
2. Resignation effective from 11 April 2019

During the year, the Nomination Committee has conducted an annual review of the independence of all Independent Non-executive Directors and confirmed that all the Independent Non-executive Directors satisfied the independence criteria as set out in the Listing Rules, reviewed the proposed re-appointment of Directors, and the appointment of Non-executive Directors.

The Nomination Committee reviewed the Board diversity policy and the Director nomination policy of the Company from time to time.

In order to maintain a diversity of perspectives among Board members, the Company adopted a Board diversity policy on 30 June 2014 and published the same on the Company's website. The Board diversity policy stated that the Company considers a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service, in addition to factors based on the Group's business models and specific needs from time to time.

## Corporate Governance Report

### (H) Board Committees *(Cont'd)*

#### Nomination Committee *(Cont'd)*

The Company also adopted a director nomination policy on 7 May 2019 and published the same on the Company's website. The director nomination policy aims to:

- (1) set out the criteria and process for the nomination and appointment of Directors;
- (2) ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business; and
- (3) ensure the Board's continuity and appropriate leadership at the Board level.

### (I) External Auditors

The responsibilities of the external auditor with respect to the consolidated financial statements of the Group are set out in the "Independent Auditor's Report" on pages 44 to 48.

Details of the fees paid/payable to the Company's auditor, Ernst & Young, during the financial year ended 31 December 2019 are as follows:

	<i>HK\$000</i>
Annual auditing services	2,700
Other auditing services	123
Non-auditing services	1,161
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	3,984
	<hr/>

### (J) Company Secretary

The Company Secretary supports the Board by ensuring good information flow within the Board and the Board policy and procedures are followed. The Company Secretary is primarily responsible for advising the Board through the Chairman on governance matters and facilitating induction and professional development of Directors. The Board will approve the selection, appointment and dismissal of the Company Secretary who reports to the Chairman and/or the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures, and all applicable law, rules and regulations are followed. The Company Secretary, Ms. Wong Suk Han Kitty who is an employee of the Group, has duly complied with the relevant training requirement under the Listing Rules for the financial year ended 31 December 2019.

## Corporate Governance Report

### (K) Risk Management and Internal Control

The Board has overall responsibility to ensure that the Group maintains sound and effective controls to safeguard its assets and the Shareholders' investments.

During the year, the Group has complied with CG Code by establishing appropriate and effective risk management and internal control systems. The management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

#### 1. Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- **Identification:** Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- **Evaluation:** Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- **Management:** Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

#### 2. Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- **Control Environment:** A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- **Risk Assessment:** A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- **Control Activities:** Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- **Information and Communication:** Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- **Monitoring:** Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

## Corporate Governance Report

### (K) Risk Management and Internal Control (Cont'd)

#### 3. Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- (a) is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately it is the subject of a decision;
- (b) conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012;
- (c) restricts the access of information to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;
- (d) has included in the “Confidentiality of Information”, a strict prohibition on the unauthorised use of confidential or inside information; and
- (e) has established and implemented procedures for responding to external enquiries about the Group’s affairs.

#### 4. Internal Audit Function

The Board engaged an independent third party consultant, to provide internal audit function for the financial year ended 31 December 2019, so as to improve the internal control systems of the Company and strengthen the management’s effective control over the operations of the Company. The internal audit function is independent of the Group’s daily operation and such independent third party consultant carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An internal plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results have been reported by the Audit Committee to the Board.

#### 5. Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring the effectiveness of these systems has been reviewed annually. Several areas have been considered during the Board’s reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group’s ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management’s ongoing monitoring of risks and of the internal control systems.

The Audit Committee conducted an annual review of the effectiveness of the internal control system of the Group covering the financial, operational and compliance controls and risk management functions. The Board, through its review made by internal audit function and audit committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

## Corporate Governance Report

### (L) Corporate Governance Functions

The Board established the “Corporate Governance Policy” on 28 March 2012. The Board is responsible for performing the corporate governance functions set out in the terms of reference below:

- (1) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (2) to review and monitor the training and continuous professional development of Directors and Senior Management;
- (3) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; and
- (5) to review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report to be issued by the Company.

### (M) Communication with Shareholders

The Company maintains a high level of transparency in communicating with Shareholders. In order to maintain an on-going dialogue with Shareholders and institutional investors of the Company, the Company established a Shareholders’ Communication Policy on 28 March 2012 and will review it from time to time to ensure effective and timely dissemination of information to Shareholders and encourage their participation at general meetings of the Company. The Shareholders’ Communication Policy is set out below:

- (1) Shareholders may refer to information disclosed publicly or send their enquiries to the Company’s registered office or its principal place of business for the time being, for the attention of the Company Secretary. For enquiries on their shareholdings, Shareholders should direct their questions about their shareholdings to the Company’s Hong Kong Branch Registrar, Tricor Tengis Limited.
- (2) Shareholders may access the Company’s information from its annual reports, interim reports, announcements, circulars and notices of meetings. This information and documents are available on the Company’s website and published on the HKEX’s website. The annual reports, interim reports, circulars, and notices of general meetings (where appropriate, with proxy form) of the Company are also despatched to Shareholders.
- (3) Shareholders are encouraged to attend the annual general meeting and general meetings of the Company. Shareholders may also express their views, discuss the progress of the Company and understand the operations of the Company through the annual general meeting of the Company.
- (4) The Company will review this Policy regularly to ensure its effectiveness.
- (5) Enquiries and questions on the procedures for convening or putting forward proposals may be put to the Board by contacting either the Company Secretary through the Company’s general line at (852) 2882 3632, e-mail at [info@tysan.com](mailto:info@tysan.com), directly by questions at an annual general meeting or special general meeting of the Company or by post to the Company’s registered office or its principal place of business for the time being.

The Company also established a dividend policy on 7 May 2019 and published the same on the Company’s website. The Company will review it from time to time to ensure the principles and guidelines that the Company intends to apply in relation to the declaration, payment and distribution of its net profits as dividends to the Shareholders remains appropriate.



## Corporate Governance Report

### (M) Communication with Shareholders *(Cont'd)*

The Company has ensured that each substantially separate issue will be dealt with at general meetings by way of a separate resolution. Shareholders are informed of the procedure and their rights to demand a poll. The Company will ensure compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-laws. The procedures for voting by poll are set out in the Company's circular relating to the general meeting and will be explained during the meeting before voting on the resolutions.

### (N) Shareholders' Rights

Since the Shareholders may convene a special general meeting and make any proposals such as propose a person other than an existing Director for election as a Director at such meeting, the detailed procedures of convening a special general meeting and making any proposals are set out in a document entitled "Shareholders' rights to put forward a proposal at a general meeting" which has been published in the Company's website and set out below:

- (1) According to Bye-law 58 of the Bye-laws, a Shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting ("SGM") to be called by the Board for the transaction or any business specified in such requisition.
- (2) The written request must state the objects of the meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those requisitionists ("Requisitionists").
- (3) The request by the Requisitionists will be verified with the Company's Share Registrars and upon their confirmation that the request by the Requisitionists is proper and in order, the Company Secretary will request the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements and in compliance with the Listing Rules on the Stock Exchange to all the registered Shareholders. On the contrary, if the request by the Requisitionists has been verified as not in order, the Requisitionists will be advised of this outcome and accordingly, a SGM will not be convened as requested.
- (4) If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may convene the meeting themselves in accordance with Section 74(3) of the Companies Act 1981 of Bermuda, as amended from time to time.
- (5) If a Shareholder wishes to put forward proposals at an SGM ("Proposals"), he can deposit a written notice to that effect at the principal place of business or the office of the Company's branch share registrar, for the attention of the Company Secretary. The request by the Requisitionists will be verified as stated above.

## Corporate Governance Report

### (N) Shareholders' Rights *(Cont'd)*

- (6) The notice period to be given to all the registered Shareholders for consideration of a proposal raised by the Shareholders concerned at a SGM varies according to the nature of the proposal as follows:
- (a) the longer of 14 clear days' and 10 business days' notice in writing if the proposal constitutes an ordinary resolution of the Company; and
  - (b) 21 clear days' notice in writing if the proposal constitutes a special resolution of the Company.

Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a Shareholder is (i) pursuant to a requisition by a Shareholder to convene a SGM or (ii) forms part of ordinary business to be considered at an annual general meeting as described in Bye-law 61(1) of the Bye-laws.

- (7) Enquiries may be put to the Board by contacting either the Company Secretary through our general line at (852) 2882 3632, e-mail at [info@tysan.com](mailto:info@tysan.com), directly by questions at an annual general meeting or SGM or by post to the registered office of the Company or head office and the principal place of business of the Company.

### (O) Investor Relations

A copy of the constitutional documents of the Company has been published at the Company's website and the HKEX's website. During the year, there was no change to the Company's constitutional documents.