

CORPORATE GOVERNANCE REPORT

The Board is committed to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company's business.

The Company has complied with the provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year under review. In 2019, in order to fully implement the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules, the Environmental, Social and Governance Report with good quality was finished well on time, which further enhanced the good reputation of the Company in the capital market. The Company's Environmental, Social and Governance Report for the year 2019 will be published on the websites of the Company and the Stock Exchange, respectively.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company had complied with the code provisions as set out in the CG Code for the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code during the year under review. The shareholdings of the Directors, chief executive and substantial Shareholders of the Company are detailed in the Directors' Report of this report.

BOARD OF DIRECTORS

As at 31 December 2019, the Board comprises ten Directors, which is chaired by Mr. Zhang Lei, consists of three executive Directors, three non-executive Directors and four independent non-executive Directors. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of the Group and the issuance of independent opinion. Brief biographies of the existing Directors are included in the section headed Profiles of Directors and Senior Management of this report.

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Lei (*Chairman*)
Mr. Zhang Peng (*President*)
Mr. Chen Yin

Non-executive Directors

Mr. Fan Qingguo
Mr. Chen Zhiwei
Mr. Chen Anhua (resigned on 30 September 2019)
Mr. Tian Jiong (appointed on 30 September 2019)

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

Mr. Qin Youguo
Mr. Hui Chun Ho, Eric
Mr. Cui Jian
Mr. Zhong Bin

All executive Directors and non-executive Directors have entered into service contracts with the Company for a specific term of three years. Under the articles of association of the Company (the “Articles of Association”), the Board is empowered to appoint any person as a Director to fill the casual vacancy or as an additional Director. The Board considers a candidate’s experience, skill, knowledge, competency and ability to fulfil duty of care, diligence and fiduciary duty and/or recommendation by the nomination committee of the Company (the “Nomination Committee”) (if any).

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors (representing not less than one-third of the Board), one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the independent non-executive Directors has confirmed his independence of the Company and the Company considers that, as at the date of this report, each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the four independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years.

Each independent non-executive Directors confirmed that he has no cross directorship or significant links with other Directors through involvements in other companies or bodies and has not held 7th or more listed company directorship.

During the year, none of the independent non-executive Directors has served the Company for more than 9 years.

Pursuant to the Articles of Association, (i) any Director appointed as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election; (ii) all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment; and (iii) at least one-third or, if the number is not a multiple of three, the nearest to one-third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. Accordingly, Mr. Zhang Lei, Mr. Zhang Peng, Mr. Chen Yin, Mr. Fan Qingguo and Mr. Tian Jiong will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting to be held on 18 June 2020 (the “2020 AGM”). All other Directors will continue in office.

All Directors have given sufficient time and attention to the affairs of the Group and, in particular, the non-executive and independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Shareholders and the Group. The participation of the independent non-executive Directors in the Board meetings and Board committees meetings also provides independent judgement on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

CORPORATE GOVERNANCE REPORT

The Board members have timely access to information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Minutes of Board meetings and Board committees meetings are kept by the company secretary of the Company (the "Company Secretary") and are opened for inspection at any reasonable time on reasonable notice by any Director. Minutes of Board meetings and Board committees meetings are recorded in sufficient details for the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. Draft and final versions of minutes are sent to all Directors for their comment and record respectively within a reasonable time after the meetings are held. All Directors are entitled to have access to Board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. Queries raised by the Directors are given a prompt and full response by the Board.

The Board members have no financial, business, family or other material/relevant relationship with each other. Such balanced Board composition is formed to ensure strong independence across the Board.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Company has purchased appropriate and sufficient liability insurance to indemnify its Directors and senior officers in respect of legal actions against the Directors and senior officers.

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group's financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Zhang Lei, the Chairman, the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group's financial control and risk management and internal control systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to executive Directors and the management of the Group.

BOARD MEETINGS AND GENERAL MEETING

The Board holds meetings regularly and meets at other time as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. In addition, the Board holds general meetings to maintain an on-going dialogue with the Shareholders. For the period from 1 January 2019 to 31 December 2019, the Board held 5 Board meetings and 1 general meeting.

CORPORATE GOVERNANCE REPORT

The attendance of each Director at various Board, Board committees and general meetings from 1 January 2019 to 31 December 2019 is set out in the following table:

| | Meetings Attended/Held | | | | |
|---|------------------------|-------------------------|--------------------------------|------------------------------|-----------------|
| | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | General Meeting |
| Executive Directors | | | | | |
| Mr. Zhang Lei | 5/5 | N/A | 1/1 | 1/1 | 1/1 |
| Mr. Zhang Peng | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Chen Yin | 5/5 | N/A | N/A | N/A | 1/1 |
| Non-executive Directors | | | | | |
| Mr. Fan Qingguo | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Chen Zhiwei | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Chen Anhua (resigned on 30 September 2019) | 3/5 | N/A | N/A | N/A | 0/1 |
| Mr. Tian Jiong (appointed on 30 September 2019) | 1/5 | N/A | N/A | N/A | N/A |
| Independent non-executive Directors | | | | | |
| Mr. Qin Youguo | 5/5 | 2/2 | 1/1 | N/A | 1/1 |
| Mr. Hui Chun Ho, Eric | 5/5 | 2/2 | N/A | 1/1 | 1/1 |
| Mr. Cui Jian | 5/5 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Zhong Bin | 3/5 | 2/2 | N/A | 1/1 | 0/1 |

Notice of at least 14 days for regular Board meetings and sufficient notice of reasonable days for ad hoc Board meetings (if any) were given to all Directors so as to ensure that (i) each of them had an opportunity to attend the meetings; (ii) each of them had an opportunity to include matters on the agenda; and (iii) the agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at the meetings to deal with such issues.

Full Board or Board committees documents were sent to all Directors or committee members at least three days (or number of days which should be reasonable and adequate) before the intended date of a Board meeting or Board committees meeting.

The Management has supplied the Board and its committees with adequate information and explanations so as to enable it to make an informed assessment of the financial and other information put before the Board and its committees for approval. The Management is also invited to attend the Board or Board committees meetings where appropriate.

CORPORATE GOVERNANCE REPORT

All Directors are also entitled to have access to timely information such as monthly updates in relation to the Company's businesses and have separate and independent access to senior management of the Company.

DIRECTORS' TRAINING

During the year, all Directors were provided with materials on the Group's business, operations and financial matters as well as regular updates on applicable legal and regulatory requirements. These updates aim at enhancing the Directors' knowledge and skills and assisting them to comply with good corporate governance practices.

In addition, every newly appointed Director will receive an instruction and directors' training on the first occasion of his or her appointment, so as to ensure that he or she has a proper understanding of the operations and business of the Company, his or her responsibilities under the laws and regulations and especially the governance policies of the Company.

In 2019, the Directors have participated in various training and continuous professional development activities and the summary of which is as follows:

| | Types of training |
|---|-------------------|
| Executive Directors | |
| Mr. Zhang Lei | A,B |
| Mr. Zhang Peng | A,B |
| Mr. Chen Yin | A,B |
| Non-executive Directors | |
| Mr. Fan Qingguo | A,B |
| Mr. Chen Zhiwei | A,B |
| Mr. Chen Anhua (resigned on 30 September 2019) | A,B |
| Mr. Tian Jiong (appointed on 30 September 2019) | A,B |
| Independent non-executive Directors | |
| Mr. Qin Youguo | A,B |
| Mr. Hui Chun Ho, Eric | A,B |
| Mr. Cui Jian | A,B |
| Mr. Zhong Bin | A,B |

A: attending relevant seminars and/or conferences and/or forums; delivering speeches at relevant seminars and/or conferences and/or forums

B: reading newspapers, journals and articles

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND PRESIDENT

The Chairman and the President are currently two separate positions held by Mr. Zhang Lei and Mr. Zhang Peng respectively with clear distinction in responsibilities.

Mr. Zhang Lei, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, so as to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

One of the important roles of the Chairman is to provide leadership for the Board. The Chairman is responsible for ensuring that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed in a timely manner. The Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting. He takes into account, where appropriate, any matters proposed by other Directors for inclusion on the agenda. The Chairman may delegate this responsibility to a designated Director or the Company Secretary. The Chairman also takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Chairman encourages 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. The Chairman encourages the Directors with different views to voice their concerns, allows sufficient time for discussion of issues and ensures that Board decisions fairly reflect Board consensus. The Chairman holds a meeting with the non-executive Directors and independent non-executive Directors without the executive Directors present at least annually.

Mr. Zhang Peng, being the President, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision C.1.1 of the CG Code, the Management have provided sufficient explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2019, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgements and estimates that are prudent and reasonable.

The Group has announced its interim results in a timely manner within two months after the end of the relevant financial periods, as set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain appropriate and effective risk management and internal control systems in order to safeguard the interest of the Group and the Shareholders, review and monitor the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's risk management and internal control systems comprise, among others, the relevant financial, operational and compliance controls and risk management procedures, a well-established organisational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

The internal audit department of the Company supported the Board and the audit committee of the Company (the "Audit Committee") in reviewing the effectiveness of risk management and internal control systems, performed its functions during the year following an annual audit plan and submitted their reports of their findings to the Board and the Audit Committee at the meetings. The Audit Committee provides independent review on effectiveness of the risk management and internal control systems of the Group and gives their recommendation to the Board. The Board is responsible for reviewing the internal audit report and approving policies and procedures designed by the Management.

The Group also engaged an external consultant specialising in identifying and evaluation of significant risks of our business operations. The external consultant is independent from the Company and its connected persons and the Board is of the view that their involvement could enhance the objectivity and transparency of evaluation process. In conjunction with the internal audit department and senior management of the Company, the external consultant conducts an annual assessment on risk management and internal control systems of the Group together with suggestion and solutions and submits to the Audit Committee and the Board for their consideration.

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures during the financial year ended 31 December 2019 by way of discussions with the Management, members of the Audit Committee and the external independent auditor. The Board considered the major investigation findings of the external consultant on risk management and internal control matters and the Management's response to these findings.

The Board is of the view that the existing risk management and internal control systems are adequate and effective. The Board also reviewed the resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training schemes and budget and was satisfied with their adequacy.

The Board also assessed the effectiveness of the Group's internal audit function and external audit process, and satisfied itself, through the work of its Audit Committee, that the internal audit function is adequately resourced and is effective at providing assurance to the Board on the relevant risks faced by the Company, and that the external audit process is effective.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditor on the financial statements of the Group are set out in the Independent Auditor's Report in this report.

DIVIDEND POLICY

The Board has adopted the "Dividend Policy" on 15 January 2019 in recommending dividends, to allow the Shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth, which provides that subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group.

The proposed dividend payout shall be based on the Company's capacity to pay from accumulated and future earnings, liquidity position and future commitments at the time of declaration of dividend with reference to the Group's actual and expected financial performance, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios, any restrictions on payment of dividends that may be imposed by the Group's lenders, general economic conditions, business cycle of the Group's business, dividends received from the Company's subsidiaries and associates, the Shareholders' and investors' expectation and industry's norm and any other factors that the Board deems relevant. The Board may from time to time pay to the Shareholders such interim dividends as appear to the Directors to be justified by the profits of the Group.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three Board committees, namely the Audit Committee, the remuneration committee (the "Remuneration Committee") and the Nomination Committee, to oversee the relevant aspects of the Company's affairs. The three Board committees are provided with sufficient resources to discharge their duties. Each Board committee has a written terms of reference, which is available on the websites of the Company and the Stock Exchange respectively.

AUDIT COMMITTEE

Composition

In order to comply with the CG Code, the Board adopted the revised terms of reference of the Audit Committee on 15 January 2019. As at 31 December 2019, the Audit Committee comprised four independent non-executive Directors, namely Mr. Hui Chun Ho, Eric (the chairman of the Audit Committee), Mr. Cui Jian, Mr. Qin Youguo and Mr. Zhong Bin. None of them is a member of the former or existing external auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. The Audit Committee is also authorised to obtain external legal or other independent professional advice if it considers necessary.

CORPORATE GOVERNANCE REPORT

Major Responsibilities

The principal functions of the Audit Committee include:

- to make recommendations to the Board on the appointment, re-appointment and removal of external auditors, to approve the remuneration and terms of engagement of the external auditor, and to handle any questions of resignation or dismissal of that auditor;
- to review and monitor the independence and objectivity of the external auditors and effectiveness of the audit process in accordance with applicable standards, and to discuss the nature and scope of the audit and related reporting responsibilities with the external auditor before the audit commences;
- to monitor integrity of the Company's financial statements and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- to oversee the Company's financial reporting system, risk management and internal control systems; and
- to discuss with the Management about the system of internal control and ensure that Management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training schemes and budget.

The Audit Committee also performs corporate governance procedures of the Company, including:

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

The Audit Committee held two meetings in 2019 and conducted the following activities:

- (i) reviewed the Group's annual results for 2018 and interim results for 2019;
- (ii) reviewed the audit plans and findings of the external auditor;

CORPORATE GOVERNANCE REPORT

- (iii) reviewed the internal control, risk management and financial matters pursuant to its terms of reference; and
- (iv) made recommendation to the Board on the re-appointment of the external auditor and its remuneration.

The Audit Committee will also meet with the external auditor annually in the absence of the Management to discuss matters relating to any issues arising from audit and any other matters the auditor may wish to raise.

The Company has satisfied the relevant provision of the CG code in having at least one of the independent non-executive Director with appropriate professional qualification or accounting or related financial management expertise. Mr. Hui Chun Ho, Eric has the appropriate professional accounting experience and served as a chairman of the Audit Committee during the year.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the external auditor's remuneration in respect of audit services provided to the Group amounted to approximately RMB5.15 million. During the year, the non-audit service fee paid to external independent auditor amounted to RMB0.18 million.

NOMINATION COMMITTEE

Composition

In order to comply with the CG Code, the Board adopted the revised terms of reference of the Nomination Committee on 15 January 2019. As at 31 December 2019, the Nomination Committee comprised three independent non-executive Directors, namely Mr. Cui Jian (the chairman of the Nomination Committee), Mr. Hui Chun Ho, Eric and Mr. Zhong Bin, and an executive Director, Mr. Zhang Lei.

Major Responsibilities

The primary duties of the Nomination Committee include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least once a year and making recommendations to the Board regarding any proposed changes to the Board for conforming to the strategy of the Company;
- identifying and nominating qualified individuals to act as Directors and making recommendations to the Board regarding such matters having due regard to the "Board Diversity Policy" and the "Nomination Policy" of the Company;
- to identify and recommend suitably qualified senior management candidates to the Board, as a supplement to any related vacant positions;
- to review the "Board Diversity Policy" as appropriate and make recommendations on any required changes to the Board for consideration and approval, and monitor its implementation so as to ensure its effectiveness, and make disclosure of its summary and the progress of its implementation in the corporate governance report;

CORPORATE GOVERNANCE REPORT

- in performing duties, to consider the “Board Diversity Policy” with due regard for the benefits of diversity on the Board;
- to review the “Nomination Policy” for directors and to make disclosure of the summary of the same in annual report of the Company annually;
- where the Board proposes a resolution to elect an individual as an independent non-executive director 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:
 - (i) 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;
 - (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board;
 - (iii) the perspectives, skills and experience that the individual can bring to the Board; and
 - (iv) how the individual contributes to diversity of the Board;
- assessing the independence of the independent non-executive Directors; and
- making recommendations to the Board regarding the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman and the President.

The chairman of the Nomination Committee shall attend the annual general meeting of the Company to answer the questions raised by the Shareholders on Director’s nomination and other nomination policy matters.

The Nomination Committee shall meet at least once a year (or in accordance with the regulations of regulatory authorities applicable to the Company from time to time) at the time as required to discharge its duties. The meeting shall be convened and chaired by the chairman. For the year ended 31 December 2019, one meeting of the Nomination Committee was held to assess the independence of independent non-executive Directors and structure of the Board, review the re-appointment of Directors at the annual general meeting and review the renewal of director’s service contract, etc.

NOMINATION POLICY

The Board has adopted the “Nomination Policy” on 15 January 2019 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates’ character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted the revised “Board Diversity Policy” on 15 January 2019 in relation to the nomination and appointment of new Directors, which provides that the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The above measurements were also reviewed and adopted when the Nomination Committee reviewed the composition of the Board. After assessing the suitability of the Directors’ skills and experience to the Company’s business, the Nomination Committee confirmed that the existing Board was appropriately structured and no change was required.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee was established on 14 June 2013 with written terms of reference as suggested under the code provisions in the CG Code. The Remuneration Committee comprised two independent non-executive Directors, namely Mr. Qin Youguo (the chairman of the Remuneration Committee) and Mr. Cui Jian, and an executive Director, Mr. Zhang Lei, during the year ended 31 December 2019.

Major Responsibilities

The primary duties of the Remuneration Committee include:

- making recommendations to the Board on the Company’s policies and structures for all remuneration of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- making recommendations to the Board on the remuneration package of executive Directors and senior management of the Company; and
- considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The amount of the executive Directors’ remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors’ experience, responsibility, workload and the time devoted to the Group. The Directors’ remuneration is reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary. For the year ended 31 December 2019, the Remuneration Committee held one meeting and conducted the following activities:

- (i) reviewed the remuneration policy of the Group and Directors’ remunerations;
- (ii) reviewed and approved the remuneration package of individual executive Directors, non-executive Directors and senior management of the Company; and
- (iii) reviewed the revised terms of reference of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two Directors for the year ended 31 December 2019 (2018: 2 Directors). The emoluments of the remaining three highest paid individuals for the year ended 31 December 2019 (2018: remaining 3 highest paid individuals) are as follows:

| | 2019 RMB'000 | 2018 RMB'000 |
|------------------------------------|-----------------|-----------------|
| Employees | | |
| – Basic salaries and allowances | 5,244 | 3,811 |
| – Bonus | 905 | 1,681 |
| – Share-based payment | 146 | 409 |
| – Retirement benefit contributions | 173 | 153 |
| | 6,468 | 6,054 |

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

COMPANY SECRETARY

For the year ended 31 December 2019, in compliance with Rule 3.28 of Listing Rules, the Company Secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The Company Secretary is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. Details of the Company Secretary are set out in the section headed Profiles of Directors and Senior Management of this report.

For the year ended 31 December 2019, the Company Secretary had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

There were no significant changes in the constitutional documents of the Company during the year ended 31 December 2019.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, the Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, the Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

CORPORATE GOVERNANCE REPORT

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published at the Company's website (www.modernland.hk).

ANNUAL GENERAL MEETING

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external independent auditor is also present at the annual general meetings. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting is delivered to all Shareholders at least twenty (20) clear business days prior to the date of the meeting, setting out details of each proposed resolution and other information. Voting results are posted on the websites of the Company and of the Stock Exchange, respectively.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND TO PUT FORWARD PROPOSALS THEREAT

The following procedures for the Shareholders to convene an extraordinary general meeting are prepared in accordance with Article 58 of the Articles of Association:

- (1) One or more Shareholders holding at the date of deposit of the requisition 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 have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.
- (2) The written requisition must state the objects of the meeting, and must be signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.
- (3) The requisition shall be made in writing to the Board or the Company Secretary via mail to the Company's principal place of business in Hong Kong at Suites 805-6, Champion Tower, 3 Garden Road, Central, Hong Kong.
- (4) The extraordinary general meeting shall be held within two months after the deposit of the requisition.
- (5) If the Directors fail to proceed to convene the extraordinary general meeting within twenty-one (21) days of the deposit of such requisition, such Shareholder(s) may do so in the same manner, and all reasonable expenses incurred by the Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Shareholder(s) by the Company.

CORPORATE GOVERNANCE REPORT

PROPOSALS FOR PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

Subject to applicable laws and regulations, including the Companies Law of the Cayman Islands, the Listing Rules and the Articles of Association as amended from time to time, the Company may from time to time in a general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

A Shareholder may propose any person (the "Person") for election as a Director by lodging the following documents at the Company's principal place of business in Hong Kong at Suites 805-6, Champion Tower, 3 Garden Road, Central, Hong Kong:

- (1) a notice in writing signed by the Shareholder concerned of his/her/its intention to propose the Person as a Director with full particulars of the Person including his/her full name and biographical details as required under Rule 13.51(2) of the Listing Rules; and
- (2) a notice in writing signed by the Person of his/her willingness to be elected as a Director.

Such notices shall be lodged at least seven (7) days prior to the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) days in length.

PROCEDURES FOR RAISING ENQUIRIES

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy:

- (1) the Shareholders may direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited.
- (2) the Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Modern Land (China) Co., Limited
Suites 805-6, Champion Tower
3 Garden Road, Central, Hong Kong
Fax: (852) 2187 3619
Email: ir.list@modernland.hk

- (3) the Shareholders may also make enquiries with the Board at general meetings of the Company.