

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the code provisions stated in the Corporate Governance Code contained in Appendix 14 to the Listing Rules since the Listing. The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from Corporate Governance Code provision A.2.1, the Group's corporate governance practices are in compliance with the Corporate Governance Code since the Listing and up to 31 December 2019. Corporate Governance Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang was the chairman of the Board and the CEO during the year 31 December 2019. In view of the fact that Mr. Zhang had been assuming day-to-day responsibilities in operating and managing the Group since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Zhang taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from Corporate Governance Code provision A.2.1 is appropriate in such circumstance. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

BOARD OF DIRECTORS

Board composition

As at the date of this report, the Board consists of four executive Directors, namely Mr. Zhang Yuanlin (co-chairman of the Board), Mr. Chen Kai (co-chairman of the Board), Mr. She Runting and Ms. Tu Jing, and three independent non-executive Directors, namely Mr. Tam Chi Choi, Mr. Au Yeung Po Fung and Mr. Liu Xin. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company, respectively. Their names and biographical details are set out in the "Biographies of Directors and senior management" section of this report. The overall management and supervision of the Company's operation and the function of formulating overall business strategies were vested in the Board. There is no financial, business, family or other material relationships among members of the Board.

During the the period from the Listing Date to 31 December 2019, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The three independent non-executive Directors represent more than one-third of the Board, complying with the requirement under Rule 3.10A of the Listing Rules whereby independent non-executive directors of a listed issuer must represent at least one-third of the board. The Board believes there is sufficient independence element in the Board to safeguard the interest of Shareholders.

Directors' responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitor the performance of the senior executives. The Directors have to make decisions objectively in the interests of the Company. As at the date of this report, the Board comprised seven Directors, including four executive Directors and three independent non-executive Directors. Names and biographical details are set out in the "Biographies of Directors and senior management" section of this report.