

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

The Company complied with all the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the accounting year ended 31st December 2020, except for the code provision A.2.1, as explained in the section headed “Chairman and Chief Executive” below.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the Company’s codes of conduct regarding directors’ securities transactions.

On specific enquiries made, all directors confirmed that they had complied with the Model Code during the year ended 31st December 2020.

## BOARD OF DIRECTORS

### Composition of the Board

The Board currently comprises five executive directors, one non-executive director (“NED”) and three independent non-executive directors (“INEDs”). The composition of the Board is set out as follows:

Executive directors	William Ma Ching Wai ( <i>Chairman</i> ) Patrick Ma Ching Hang ( <i>Deputy Chairman</i> ) Philip Ma Ching Yeung ( <i>Deputy Chairman</i> ) Alfred Ma Ching Kuen Amy Ma Ching Sau
Non-executive director	Edward Cheung Wing Yui
INEDs	Kevin Chau Kwok Fun Tan Soo Kiu Yiu Kei Chung

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules that there are three INEDs representing one-third of the Board and one of the INEDs has the appropriate professional qualifications or accounting or related financial management expertise.

Each of the INEDs has provided an annual written confirmation of their independence that they meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. Their independence has been assessed by the Nomination Committee. The Company considers all the INEDs are independent.

Biographical details of the directors and their relationships, where applicable, are set out on pages 4 to 6 of this annual report.

## BOARD OF DIRECTORS (Continued)

### Role of the Board

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on directors' appointment or re-appointment, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the day-to-day businesses of the Company to the management who works under the leadership and supervision of the Executive Committee of the Board.

The Executive Committee of the Board, comprises the Chairman and Chief Executive, two Deputy Chairmen, and two Managing Directors. The Executive Committee reviewed and discussed the performance of the Group, current plans and long term opportunities, and any other issues of immediate concern.

The non-executive directors (a majority of whom are independent) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee meetings.

### Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

During the year, the Board reviewed the Company's policies and practices on corporate governance and the disclosure in the Corporate Governance Report.

### Board Meetings

Board meetings are held at least 4 times a year at approximately quarterly intervals and involve the active participation, either in person or through other electronic means of communication, of a majority of directors. At least 14 days' notice of the regular board meetings is given to all directors, and all directors are given an opportunity to include matters for discussion in the agenda. An agenda and accompanying board papers are sent in full to all directors at least 4 days before the intended date of a regular board meeting. They also have access to the advice and service of the Company Secretary, who assists the Chairman in preparing the agenda for meetings, is responsible for providing directors with board papers and related materials and ensures that board procedures, and all applicable laws, rules and regulations are followed.

The articles of association of the Company ("Articles of Association") stipulate that save for the exceptions as provided therein, a director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such director or any of his/her associates have a material interest.

## BOARD OF DIRECTORS (Continued)

### Directors' Training

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company Secretary also provides directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for directors in the form of seminar and reading materials. A summary of training received by directors during the year according to the records provided by the directors is as follows:

Directors	Corporate Governance/ Updates in Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Reading Materials	Attended Seminars/ Briefings	Reading Materials	Attended Seminars/ Briefings
<b>Executive directors</b>				
William Ma Ching Wai ( <i>Chairman</i> )	√	√	√	√
Patrick Ma Ching Hang	√	√	√	√
Philip Ma Ching Yeung	√	√	√	√
Alfred Ma Ching Kuen	√	√	√	√
Amy Ma Ching Sau	√	√	√	√
<b>Non-executive director</b>				
Edward Cheung Wing Yui	√	√	√	√
<b>INEDs</b>				
Kevin Chau Kwok Fun	√	√	√	√
Tan Soo Kiu	√	√	√	√
Yiu Kei Chung	√	√	√	√

## CHAIRMAN AND CHIEF EXECUTIVE

The code provision A.2.1 of the CG Code stipulates that the positions of the chairman and chief executive should be held by separate individuals as to maintain an effective segregation of duties.

Mr. William Ma Ching Wai, the Chairman of the Board of Directors was appointed the Chief Executive of the Company on 15th June 2017, since then Mr. Ma holds both positions as the Chairman and Chief Executive of the Company. This is a deviation from the code provision with respect to the roles of chairman and chief executive to be performed by different individuals.

The Board believes that vesting the roles of both Chairman and Chief Executive on the same individual will enable the Company to have a stable and consistent leadership and also facilitate the planning and execution of the Company's strategy. The Board is of the view that the balance of power and authority is adequately ensured as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management, and there are one NED and three INEDs on the Board offering their experience, expertise, independent advice and views from different perspectives.

## NON-EXECUTIVE DIRECTORS

All non-executive directors have entered into letters of appointment with the Company for a specific term of three years. All non-executive directors are also subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by shareholders.

## BOARD COMMITTEES

The Board has established various committees, including Audit Committee, Remuneration Committee and Nomination Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members. The committees are required to report back to the Board on their decision and recommendations where appropriate. All the Board committees are empowered by the Board under their own terms of reference which have been posted on the websites of the Company and the Stock Exchange.

### Audit Committee

Members:

INEDs	Tan Soo Kiu ( <i>Chairman</i> ) Kevin Chau Kwok Fun Yiu Kei Chung
Non-executive director	Edward Cheung Wing Yui

The Audit Committee was established in March 1999. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The main responsibilities of the Audit Committee are to review and monitor the integrity of the Company's financial statements, annual report and interim report. Other responsibilities include making recommendations to the board on the appointment, reappointment and removal of the external auditor, approval of the external auditor's remuneration and terms of engagements, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to develop and implement policy on engaging an external auditor to supply non-audit services, and to act as the key representative body for overseeing the Company's relations with the external auditor. The Audit Committee is also charged with overseeing the Company's financial reporting system, the effectiveness of risk management and internal control systems, and reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

### BOARD COMMITTEES (Continued)

#### Audit Committee (Continued)

During the year, the Audit Committee held 2 meetings. The work performed by the Audit Committee during the financial year ended 31st December 2020 are summarised below:

- (i) reviewed annual report for the year ended 31st December 2019, and interim report for the six months ended 30th June 2020;
- (ii) proposed the appointment of PricewaterhouseCoopers (“PwC”) as Independent Auditor of the Company and approved the auditor’s remuneration and terms of engagements;
- (iii) reviewed and discussed with the Independent Auditor in respect of the consolidated financial statements for the year ended 31st December 2019 and the interim financial information for the six months ended 30th June 2020; and
- (iv) reviewed and assessed the adequacy and effectiveness of the Group’s financial controls, risk management and internal control systems, and the effectiveness of the Group’s internal audit function.

#### Remuneration Committee

Members:

INEDs Tan Soo Kiu (*Chairman*)  
Yiu Kei Chung

Executive director Amy Ma Ching Sau

The Remuneration Committee was established in April 2005. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive directors and senior management.

The Remuneration Committee is mainly responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of directors and senior management.

During the year, the Remuneration Committee held 2 meetings. The Remuneration Committee reviewed the remuneration policy for executive directors and senior management of the Company, assessed performance of executive directors, and made recommendations on the Group’s bonus structure, retirement benefit scheme and other compensation related issues.

#### Nomination Committee

Members:

Executive director William Ma Ching Wai (*Chairman*)

INEDs Kevin Chau Kwok Fun  
Yiu Kei Chung

The Nomination Committee of the Company was established in March 2012. The terms of reference of the Nomination Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

**BOARD COMMITTEES (Continued)****Nomination Committee (Continued)**

The Nomination Committee is mainly responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive directors in accordance with Rule 3.13 of the Listing Rules, and make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors.

During the year, the Nomination Committee held 1 meeting. The Nomination Committee reviewed the structure and composition of the Board, recommended the re-election of the retiring directors and assessed the independence of all the INEDs.

The Nomination Committee is also responsible to review the Nomination Policy and Board Diversity Policy, when appropriate to ensure the effectiveness of such policies and will discuss any revisions that may be required to be considered and approved by the Board.

**Nomination Policy**

The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed change to the Board to complement the Company's corporate strategy. When it is necessary to fill a causal vacancy or appoint an additional director, the Nomination Committee shall invite nominations of candidates from Board members (if any) for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members and may recommend to hire an executive search firm, if necessary, to identify suitable and qualified candidate for serving on the Board.

The Nomination Committee shall evaluate any potential candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship and recommend to the Board the appropriate person among the candidates nominated for directorship for its consideration:

- (a) the Nomination Committee shall consider the current structure, size and composition of the Board and the needs of the Board and the respective committees of the Board when recommending any potential new director(s) to the Board; and
- (b) the Nomination Committee shall refer to the following factors in assessing the suitability of a proposed director:
  - (i) character and integrity;
  - (ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
  - (iii) willingness to devote sufficient time to discharge duties as a Board member and/or member(s) of committee(s) of the Board;
  - (iv) contribution to the diversity of the Board;
  - (v) requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence requirements set out in the Listing Rules; and
  - (vi) such other perspectives appropriate to the Company's business.

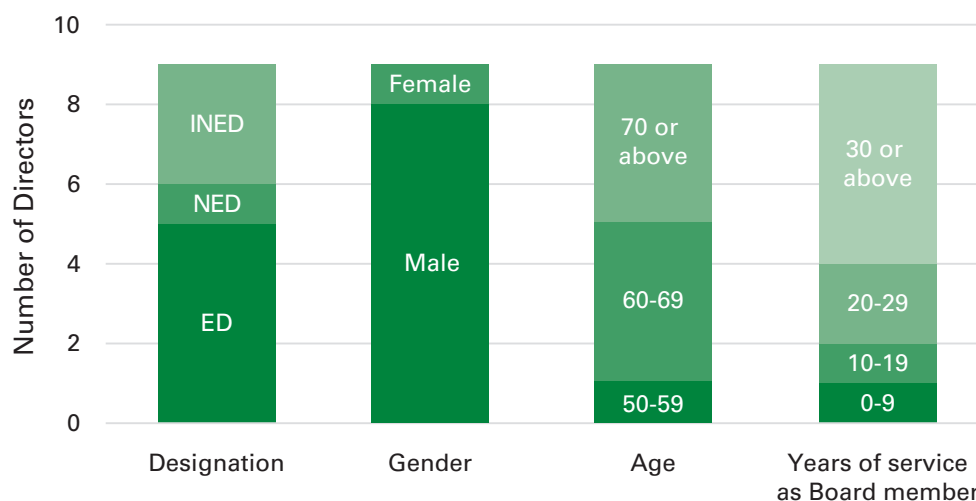
## BOARD COMMITTEES (Continued)

### Board Diversity Policy

The Company recognises the importance and the benefit of having a diverse Board that fits its own business model and specific needs in order to achieve its corporate goals and strategies. A number of factors, including but not limited to age, gender, cultural and educational background, professional experience, skill and knowledge, will be considered in determining the optimum composition of the Board so as to contribute to the achievement of the Company's corporate goals and strategic objectives. The Company also sees diversity at the Board level as an essential element in maintaining a competitive advantage. The Company does not discriminate on the grounds of race, gender, disability, age, religions or any other factor.

The Company aims to ensure that Board appointments will be made on the basis of a range of diversity factors, including those set out above. Selection of candidates to join the Board will be, in part, dependent on the pool of available candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and the contribution the chosen candidate will bring to the Board, having regard for the benefits of diversity on the Board.

The diversity profile of the Board as at the date of this report is as follows:



The members of the Board come from a variety of different backgrounds and have a diverse range of professional experience, skills and knowledge in various sectors including property investment and development, finance and banking, investment, accounting, legal, government, commerce and entrepreneurship. They also hold or have held important public service positions in Hong Kong, covering health and welfare, charity, education and regulations.

The Board composition reflects various age, gender, cultural and educational background, professional experience, skill and knowledge. The Nomination Committee considers the current Board composition has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. It also includes a balanced composition of executive and non-executive directors with a strong independent element on the Board, which can effectively exercise independent judgment. The Nomination Committee will continue to review the Board composition from time to time, taking into consideration the specific needs for the Group's business.

## ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Name of directors	Number of Meetings Attended/ Eligible to attend for the year ended 31st December 2020				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
<b>Executive directors</b>					
William Ma Ching Wai ( <i>Chairman</i> )	4/4			1/1	1/1
Patrick Ma Ching Hang	4/4				1/1
Philip Ma Ching Yeung	4/4				1/1
Alfred Ma Ching Kuen	4/4				1/1
Amy Ma Ching Sau	4/4		2/2		1/1
<b>Non-executive director</b>					
Edward Cheung Wing Yui	4/4	2/2			1/1
<b>INEDs</b>					
Kevin Chau Kwok Fun	4/4	2/2		1/1	1/1
Tan Soo Kiu	4/4	2/2	2/2		1/1
Yiu Kei Chung	4/4	2/2	2/2	1/1	1/1

## ACCOUNTABILITY AND AUDIT

## Financial Reporting

The directors endeavor to ensure a balanced, clear and comprehensible assessment of the Group's performance, position and prospects in annual and interim reports and other disclosures required under the Listing Rules and other statutory requirements. All members of the Board are provided with monthly updates, which give the directors a balanced and understandable assessment of the performance, position and prospects of the Group. Management provides all relevant information to the Board, giving the members sufficient explanation and information they need to discharge their responsibilities.

The Board is responsible for the preparation of the consolidated financial statements that give a true and fair view of the Company's and the Group's financial position on a going-concern basis, with supporting assumptions or qualifications as necessary. The consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, the Listing Rules and the Companies Ordinance. Appropriate accounting policies have also been used and applied consistently except for the adoption of the new and revised HKFRSs.

The reporting responsibilities of directors and external auditor are set out in the Independent Auditor's Report on pages 36 to 40 of this annual report.

## Auditors' Remuneration

The fees in respect of audit and audit related services provided to the Company and its subsidiaries by PwC and other auditors were HK\$1,976,000 and HK\$375,000 respectively for the year. Fees for non-audit services, which mainly consist of taxation services and interim results review, provided by PwC and other auditors were HK\$763,000 and HK\$259,000 respectively.



### COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman of the Board and is responsible for advising the Board on governance matters and to facilitate induction and professional development of directors. The biography of the Company Secretary is set out on page 6 of this annual report.

The Company Secretary has provided her training records to the Company indicating that she has undertaken more than 15 hours of relevant professional development during the year ended 31st December 2020, by means of attending seminars and reading relevant guidance materials.

### SHAREHOLDERS' RIGHTS

#### Convening Extraordinary General Meeting ("EGM")

In accordance with Sections 566 to 568 of the Companies Ordinance, shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may require the directors of the Company to convene an EGM. The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Any reasonable expenses incurred by the shareholder(s) requesting the meeting by reason of the failure of the directors to duly convene a meeting will be reimbursed to shareholder(s) by the Company.

#### Putting Forward Proposals at Shareholders' Meetings

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance for including a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

- (i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.

## SHAREHOLDERS' RIGHTS (Continued)

### Putting Forward Proposals at Shareholders' Meetings (Continued)

- (ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned; or 2 or more copies which between them contain the signatures of all the shareholders concerned is deposited at the registered office of the Company for the attention of the Company Secretary in hard copy form or is sent to the Company in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

If a shareholder of the Company intends to propose a person other than a director of the Company for election as a director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his/her intention to propose that person for election as a director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than 7 days prior to the date of such general meeting.

### Enquiries to the Board

Enquiries may be put to the Board through the Company Secretarial Department at the registered office of the Company (email: [shareholderenquiry@tsld.com](mailto:shareholderenquiry@tsld.com)).

## INVESTORS RELATION

### Constitutional Documents

The latest version of the Articles of Association is available on both the websites of the Company and the Stock Exchange. During the year, there is no change in the Company's Articles of Association.

### Communication with Shareholders

The Board and senior management maintain an on-going dialogue with the Company's shareholders and investors and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

The Chairman of the Board will attend the annual general meetings and he will invite the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee to attend. In their absence, the Chairman of the Board will invite another member of the committee or failing him, his duly appointed delegate to attend. These persons will be available to answer questions at the annual general meetings.

The Chairman of the Board will ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

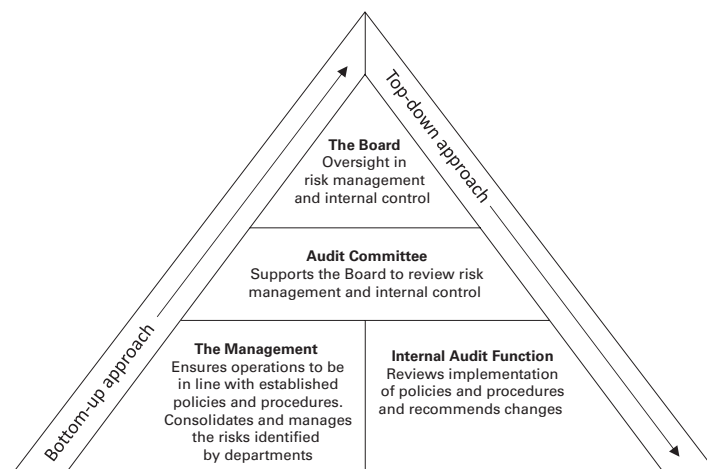
## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible to oversee the Group's risk management and internal control systems on an ongoing basis and ensure that a review of the effectiveness of both systems has been conducted at least annually. The review cover all material controls including financial, operational and compliance controls.

The Board and the management take priority on the Group's implementation of risk management process and internal control. Comprehensive risk management and internal control systems based on risk identification, measures, internal audit and assessment, monitoring and ongoing improvement are established. Such systems 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.

### Risk Management and Internal Control Framework

The Group's risk management and internal control framework comprises of the Board, Audit Committee, the management and internal audit function. Its main features and processes are as follows:




1. The Board is responsible for overseeing the risk management and internal control systems to ensure that the communications of the core values, strategic planning and operational guidelines throughout the Group are effective.
2. The Audit Committee supports the Board in reviewing the risk management and internal control systems to ensure that effective controls are in place.
3. The management consolidates and manages the risks of operations identified by departments. Policies and procedures are determined to mitigate the risks. It also ensures that the operation managers comply with the established policies and procedures.
4. Internal audit function assesses the effectiveness of the risk management and internal control systems. It evaluates the risks identified by departments and consolidated by the management based on the likelihood of occurrence and impact of such risks. It also conducts regular reviews on the implementation of the policies and procedures and recommends changes in response to different business and control environments. It reports the above results and makes recommendations to the Audit Committee regularly. Such regular reviews are carried out via communication with relevant management and staff members, walkthrough tests and reviewing relevant documentation.

**RISK MANAGEMENT AND INTERNAL CONTROL (Continued)****Internal Audit Function**

During the year of 2020, the internal audit function performed audit to review and assess the adequacy and effectiveness of the Group's risk management and internal control systems. The audit covered financial, compliance and operation functions with emphasis on procurement system, supplier and service provider evaluation system, property management operational review and follow up action on cyber protection solution. The major risks to the Group were also evaluated and the changes are presented in the Risk Profile.

**Risk Profile**

The following illustrates the nature of major risks to the Group, the risk level changes during the year and the mitigating measures taken by the Group:

Risk area	Risk level changes during 2020	Description of risk	Key control and mitigating measures
Regulatory and compliance risks		<ul style="list-style-type: none"> <li>• Any non-compliance with the ordinances, rules and regulations including but not limited to Companies Ordinance, Listing Rules, Hotel and Guesthouse Accommodation Ordinance, Estate Agents Ordinance, Building Management Ordinance, Prevention and Control of Disease (Prohibition on Group Gathering) Regulation, property development, licensing and environmental related legislation, may cause damage to the Group or affect operations and delay its project development.</li> <li>• During the year, there was no substantial change in the relevant ordinances, rules and regulations affecting the operation of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• Complying with the relevant ordinances, rules, and regulations applicable to the Group's operations through developing internal guidelines and review process, compliance handling by experienced and professional staff and consulting with external experts where appropriate.</li> <li>• Maintaining training for staff to keep updated on statutory requirements.</li> </ul>

## RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

### Risk Profile (Continued)

Risk area	Risk level changes during 2020	Description of risk	Key control and mitigating measures
Market risks	↑	<ul style="list-style-type: none"> <li>The Group operates in the competitive markets, which are sensitive to global and local environment changes, such as economic and market sentiments changes, as well as supply and demand changes that may cause impacts to the revenues of the Group.</li> <li>COVID-19 has induced the changes from working in commercial space to work-from-home, which may affect the demand of offices; while the increasing popularity of e-commerce would likely hammer on take-up of retail space.</li> <li>During COVID-19, cross-boundary restrictions are imposed on inbound travels and keep visitors at bay. It affects the related service industries, like hotel accommodation service.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring the property market conditions and sentiments closely.</li> <li>Adopting multi-faceted solutions to accommodate needed tenants.</li> <li>Maintaining diversified tenant mix and flexible leasing strategies to maintain resilient tenant portfolio.</li> <li>Expand the target clientele to local residents for hotel accommodation service, such as staycation, to increase the occupancy rate.</li> </ul>

**RISK MANAGEMENT AND INTERNAL CONTROL (Continued)****Risk Profile (Continued)**

<b>Risk area</b>	<b>Risk level changes during 2020</b>	<b>Description of risk</b>	<b>Key control and mitigating measures</b>
Operational risks	↑	<ul style="list-style-type: none"> <li>Process and procedures are involved in the operation of business units of the Group. Should there be any deficiency, it may affect the performance of the Group.</li> <li>Any default from suppliers and service providers may cause negative effects on the performance of the Group.</li> <li>COVID-19 outburst poses health and safety threats on staff, hotel guests or tenants. It affects the operation of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining a comprehensive system of internal control and enhancing key procedures and processes.</li> <li>Maintaining a comprehensive suppliers' and service providers' qualification system.</li> <li>Operating units frequently updated with the latest compliance procedures and anti-epidemic requirements, with the setting up of contingency plan.</li> </ul>
Financial risks	↔	<ul style="list-style-type: none"> <li>The Group may be exposed to risk of interest rate arising from bank borrowings and overdrafts and liquidity risk.</li> <li>The loan financing of the Group was mainly charged at floating rate.</li> <li>Any discrepancy in loan renewal might affect the liquidity of the Group.</li> <li>The loan to valuation ratio is slightly increased due to softening of the property market as a whole.</li> <li>During the year, there was no substantial change in the financial risk with adverse impact on the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring the financial market conditions and financial need of the Group.</li> <li>Adopting a prudent liquidity risk management and maintaining sufficient cash on hand with available funding through an adequate amount of committed credit facilities.</li> <li>Arranging different terms of loan facilities from diversified sources with different tenures.</li> <li>Maintaining good relationship with the banking community.</li> </ul>

**RISK MANAGEMENT AND INTERNAL CONTROL (Continued)**

**Risk Profile (Continued)**

Risk area	Risk level changes during 2020	Description of risk	Key control and mitigating measures
Cyber security risks	↔	<ul style="list-style-type: none"> <li>• The Group may be exposed to disturbance to business operation due to cyber security risk.</li> <li>• Man-made disasters and global virus are difficult to rectify.</li> <li>• Remote access of office computers and servers were inevitably more frequent than usual due to the work-from-home arrangement.</li> <li>• Any deficiency on the cyber security will induce the cyber-attack and network breakdown and adversely affect the Group.</li> <li>• During the year, there was no substantial change in the impact of cyber security risk on the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring and improving risk management in cyber security and information technology development.</li> <li>• Continuously deploying resources and investment in security control to mitigate the impacts on global cyber-attack.</li> <li>• Deploying additional investment on security connection and protection to enhance integrity of the networking and security.</li> <li>• Continuous training to enhance staff’s awareness on network security and update.</li> <li>• Continuous engagement of reputable vendors for enhancing cyber security and application systems.</li> </ul>

Notes: ↑ where “inherent risks” (i.e. before taking into consideration mitigating activities) have increased      ↓ where “inherent risks” have decreased      ↔ where “inherent risks” have remained broadly the same

Audit Committee meeting was held in March 2021 to review the risk management and internal control systems, and confirmed their adequacy and effectiveness. Frequency and extent of communication of monitoring audit results to the Board is also considered adequate.

The Board considered that controls are in place, effective and adequate. No significant control failure or weakness was identified. Besides, the resources, staff qualifications and experience, training programmes and budget of accounting, internal audit and financial reporting functions were reviewed and assured adequate.

## HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012.

On behalf of the Board

**William Ma Ching Wai**  
*Chairman*

Hong Kong, 22nd March 2021