

**HKMC ANNUITY LIMITED**

---

---

**CORPORATE GOVERNANCE CODE**

---

---

## TABLE OF CONTENTS

	Page
<b>Part A – Board Structure and Processes</b>	
<b>A.1</b>	<b>The Board</b> <span style="float: right;"><b>1</b></span>
<b>A.2</b>	<b>Chairman and Chief Executive Officer</b> <span style="float: right;"><b>3</b></span>
<b>A.3</b>	<b>Board Composition</b> <span style="float: right;"><b>4</b></span>
<b>A.4</b>	<b>Appointment of Directors</b> <span style="float: right;"><b>4</b></span>
<b>A.5</b>	<b>Responsibilities of Directors</b> <span style="float: right;"><b>5</b></span>
<b>A.6</b>	<b>Supply of and Access to Information</b> <span style="float: right;"><b>6</b></span>
<b>A.7</b>	<b>Remuneration of Directors</b> <span style="float: right;"><b>7</b></span>
<b>A.8</b>	<b>Delegation by the Board</b> <span style="float: right;"><b>7</b></span>
<b>A.9</b>	<b>Board Committees</b> <span style="float: right;"><b>7</b></span>
<b>Part B – Corporate Reporting, External Auditors and Disclosure</b>	
<b>B.1</b>	<b>Financial Reporting</b> <span style="float: right;"><b>9</b></span>
<b>B.2</b>	<b>External Auditors</b> <span style="float: right;"><b>10</b></span>
<b>B.3</b>	<b>Internal Reporting</b> <span style="float: right;"><b>10</b></span>
<b>B.4</b>	<b>External Reporting</b> <span style="float: right;"><b>11</b></span>
<b>B.5</b>	<b>Corporate Governance Disclosure</b> <span style="float: right;"><b>11</b></span>
<b>Part C – Internal Controls and Risk Management</b>	
<b>C.1</b>	<b>Internal Controls and Risk Management Process</b> <span style="float: right;"><b>12</b></span>
<b>C.2</b>	<b>Internal Audit</b> <span style="float: right;"><b>14</b></span>
<b>C.3</b>	<b>Audit Committee</b> <span style="float: right;"><b>15</b></span>
<b>C.4</b>	<b>Compliance with Statutory, Regulatory and Contractual Requirements</b> <span style="float: right;"><b>16</b></span>
<b>Part D – Company Secretary</b>	
<b>D.1</b>	<b>Role of the Company Secretary</b> <span style="float: right;"><b>18</b></span>
<b>Part E – Bribery, Illegal Advantages and Entertainment</b>	
<b>E.1</b>	<b>Prevention of Bribery Ordinance</b> <span style="float: right;"><b>19</b></span>
<b>E.2</b>	<b>Solicitation and Acceptance of Advantages</b> <span style="float: right;"><b>20</b></span>
<b>E.3</b>	<b>Offering of Advantages</b> <span style="float: right;"><b>21</b></span>

**HKMC ANNUITY LIMITED**  
**(the Company)**

**CORPORATE GOVERNANCE CODE**

**Part A – Board Structure and Processes**

**A.1 The Board**

**Principle**

The Board is ultimately accountable and responsible for the performance and affairs of the Company. The Board is responsible for effective leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company’s affairs. Directors should act in good faith and take decisions objectively in the best interests of the Company.

**Code**

A.1.1 The Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals.

It is expected that Board meetings will involve active participation by Directors, either in person or through electronic means of communication. For urgent matters requiring the attention of the Board before the next scheduled Board meeting, Board approval may be obtained through circulation of written resolutions.

A.1.2 Arrangements should be in place to enable Directors to include matters in the agenda for a Board meeting.

A.1.3 Regular Board meetings should be scheduled before the start of each calendar year with a view to facilitating attendance by Directors. Prior notice of such Board meetings should be given to all Directors well in advance (generally at least seven days’ prior notice). For all other Board meetings, reasonable notice should be given.

A.1.4 Conflict of interests arises when the “private interests” of a Director compete with the interests of the Company or the Director’s duties owed to the Company. Private interests include financial and other interests of the Director himself/herself, and those of his/her connections (including family and other relations, personal friends, clubs and societies to which he/she belongs, and any person to whom he/she owes a favour or to whom he/she may be obligated in any way).

- A.1.5 A fundamental integrity requirement is that Directors should avoid situations which may compromise (or be seen to compromise) their personal judgement or integrity in the performance of their duties or lead to conflict of interests.
- A.1.6 If a Director has a conflict of interests (whether by virtue of the interest of his/her own or any of his/her connected entities<sup>1</sup>) in a matter to be considered by the Board, that Director should:
- declare his/her material interest or, as the case may be, that of his/her connected entity in such matter;
  - abstain from voting on any Board resolution in which he/she or any of his/her connected entities has a material interest; and
  - not be counted in the quorum present at the Board meeting at the relevant time when the matter is put to vote.
- A.1.7 It is the responsibility of each Director to judge and decide if the situation warrants a declaration, and to seek a ruling from the Chairman or the Company Secretary in case of doubt.
- A.1.8 There are always circumstances in which certain relationship (e.g. a tie of kinship or friendship) does not give rise to financial interests but can influence or may reasonably be perceived to influence the judgement of a Director in discharging his/her director's duties. As such, a Director's duty to avoid or declare conflict of interests goes beyond the disclosure of interests that are definable in pecuniary terms.
- A.1.9 Board committees should adopt, so far as practicable, the principles, procedures and arrangements set out in A.1.2 to A.1.8 above.
- A.1.10 Minutes of meetings of the Board and Board committees should be kept by the Company Secretary, and should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors and dissenting views expressed.

Minutes of meetings of the Board and Board committee should be sent to all Directors as soon as practicable (and generally within 14 days after the meeting is held), and available for inspection on reasonable notice by any Director.

---

<sup>1</sup> For the purposes of this Code, “**connected entity**” of a Director has the meaning ascribed to it under section 486 of the Companies Ordinance (Cap. 622), and is defined to cover a wide range of persons or entities, including but not limited to the Director's spouse, child, parent, cohabitee, associated body corporate, business partner and trustee of the Director's family trust.

However, a Director should have no access to the minutes of meetings of the Board and Board committees to the extent that any such papers and related materials in respect of which a Director has a conflict of interests (whether by virtue of the interest of such Director or any of his/her connected entities).

- A.1.11 Appropriate directors' and officers' liability insurance cover should be maintained at all times in respect of legal actions against Directors and officers.

## **A.2 Chairman and Chief Executive Officer**

### **Principle**

There are two key aspects to the management of the Company – the running of the Board and the day-to-day management of the Company's business. There should be a clear division of responsibilities between the Chairman of the Board and the Chief Executive Officer (**CEO**) in order to ensure a balance of power and authority to avoid too much power being concentrated in any one individual.

### **Code**

- A.2.1 The roles of the Chairman and CEO should not be performed by the same individual.
- A.2.2 The Chairman should be responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role.
- A.2.3 The Chairman should ensure that all key issues affecting the Company are discussed by the Board, and all Directors are properly briefed and provided with adequate and appropriate information in a timely manner on matters to be discussed at Board meetings. The Chairman should encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues. The Chairman should promote a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular.
- A.2.4 The Chairman should take primary responsibility for promoting the establishment and implementation of good corporate governance practices and procedures.
- A.2.5 The executive responsibility for the running of the Company's business vests with the CEO. The CEO's duties include:

- providing leadership to the Management;
- reporting to the Board on the implementation of the Company's strategy and its business operations;
- overseeing the realisation by the Company of the objectives set by the Board;
- providing all such information to the Board as is necessary to enable the Board to monitor the performance of the Management;
- establishing and maintaining proper internal controls and systems, as well as disclosure controls and procedures; and
- discharging such duties and authority as may be delegated to the CEO by the Board.

### **A.3 Board Composition**

#### **Principle**

The Board should have a balance of skills, experience and diversity of perspectives appropriate for the business requirements of the Company. The Board should include a sufficient number of Non-Executive Directors (i.e. at least one-third of its members) to ensure the objective and critical review and control of the management process, and the presence of a wider range of expertise on the Board for the effective leadership of the Company. The Board should also ensure that changes to its composition can be managed without undue disruption.

#### **Code**

- A.3.1 The Board should be of sufficient size so that the balance of skills, experience and diversity of perspectives are appropriate for the requirements of the Company's business.

### **A.4 Appointment of Directors**

#### **Principle**

There should be a formal and transparent procedure for the appointment of new Directors to the Board.

## **Code**

- A.4.1 Except for the first Directors, all Directors (one or more of whom may be designated to be Executive Directors) should be appointed by the Financial Secretary of Hong Kong in accordance with the Articles of Association of the Company.
- A.4.2 All Directors, other than Executive Directors, should be appointed for a specific term. All Non-Executive Directors should retire at the next annual general meeting of the Company following their appointment but should be eligible for re-election.
- A.4.3 Executive Directors need not be subject to re-election whilst holding office.

## **A.5 Responsibilities of Directors**

### **Principle**

Every Director should be aware of his/her responsibilities as a director of the Company and of its conduct, business activities and development. Non-Executive Directors are subject to the same duties of care, skills and diligence, and owe the Company the same fiduciary duties, as those of Executive Directors.

### **Code**

- A.5.1 Every Director should ensure that he/she can give sufficient time and attention to the affairs of the Company and should not accept the appointment if he/she cannot do so.
- A.5.2 Every newly appointed Director should receive a comprehensive induction on joining the Board. Subsequently, he/she should receive any briefing necessary to ensure that he/she has a proper understanding of the operations and business of the Company, and his/her responsibilities and liabilities as a director under the statutes, common law, regulations, and the Company's business and governance policies.
- A.5.3 If any Director is at all in doubt about the nature of his/her responsibilities and liabilities, he/she should have ready access to the Company Secretary of the Company for guidance.
- A.5.4 There should be a procedure agreed by the Board to enable Directors, on reasonable request, to seek independent professional advice which will be at the Company's expense, if considered appropriate.

- A.5.5 All Directors are encouraged to participate in continuous professional development<sup>2</sup> to keep abreast of legal, regulatory, commercial and other developments that are relevant to the performance of the duties by the Directors. This is to ensure that their contributions to the Board are up to date and relevant.
- A.5.6 Non-Executive Directors should contribute appropriately to the Board and any committees on which they serve by utilising their skills, expertise, backgrounds and experiences through regular attendance at Board meetings and active participation in Board discussions.
- A.5.7 Non-Executive Directors should make positive contributions to the development of the Company's strategy and policies through independent, constructive and informed comments.

## **A.6 Supply of and Access to Information**

### **Principle**

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to perform their duties and responsibilities as Directors of the Company.

### **Code**

- A.6.1 Except under exceptional circumstances, an agenda and accompanying Board papers should be sent in full to all Directors in a timely manner (and generally at least seven days before the intended date of a meeting of the Board or the Board committee (as the case may be)), except that where a Director has a conflict of interests with respect to a particular agenda item, the relevant Board paper should not be distributed to that Director.
- A.6.2 Directors should be mindful of keeping Board papers and other confidential information pertaining to the Company strictly confidential and not taking advantage of, or letting any person or other organisation benefit from, the confidential or privileged information so obtained.

---

<sup>2</sup> Continuous professional development includes participating as speakers, members or attendees in conferences, seminars, briefings, tutorials, meetings and workshops on any topics that are relevant to legal, regulatory, financial, economic and market developments. For Directors who are members of professional bodies, the training they received in fulfilling membership requirements would also be considered as continuous professional development.



A.6.3 All Directors are entitled to have access to Board papers and related materials (except where a Director may have a conflict of interests). Where queries are raised by Directors, steps must be taken to respond as promptly and fully as possible.

## **A.7 Remuneration of Directors**

### **Principle**

To the extent applicable, the Company should disclose information relating to its Directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on Directors' remuneration.

## **A.8 Delegation by the Board**

### **Principle**

The Board should have consistent policies governing delegation by the Board to Executive Directors of such powers and responsibilities on the day-to-day operations of the Company.

### **Code**

A.8.1 When the Board delegates aspects of its management and administration functions to Executive Directors, it must at the same time give clear directions as to the scope of power so delegated, in particular, with respect to the circumstances where Executive Directors should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

## **A.9 Board Committees**

### **Principle**

Board committees should be formed with specific written terms of reference which set out clearly the committees' authority and duties. Board committee is an aid to assist the Board in discharging its duties. However, the Board still bears the ultimate responsibility for the conduct and affairs of the Company.

**Code**

- A.9.1 The Board should establish an Audit Committee, and any other Board committees as and when the business and structure of the Company develop to a stage that requires the establishment of such Board committees for more efficient decision-making.
- A.9.2 The terms of reference of each Board committee should clearly set out how it is to be formed and its scope of authority, and require regular reporting back to the Board on its decisions or recommendations.
- A.9.3 The Audit Committee should be chaired by a Non-Executive Director.

## **Part B – Corporate Reporting, External Auditors and Disclosure**

### **B.1 Financial Reporting**

#### **Principle**

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects.

To maintain transparency and enhance financial accountability, it is important that accounting policies and standards adopted by the Company are clear and consistent and, as far as possible, follow generally accepted accounting practice.

#### **Code**

- B.1.1 Directors should acknowledge their responsibility for preparing financial statements which give a true and fair view of the financial status of the Company. There should be a statement by the auditors about their responsibility to form an independent opinion, based on their audit, on the financial statements and to report their opinion. Directors should prepare the financial statements on a going-concern basis, with such supporting assumptions or qualifications as necessary. When Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties should be clearly disclosed.
- B.1.2 The Board's responsibility to present a balanced, clear and comprehensible assessment extends to annual and interim financial statements, reports to regulators and to information required to be disclosed pursuant to statutory requirements.
- B.1.3 The Management should provide all necessary explanations and materials to the Board for it to make an informed assessment of financial and other information put before it for consideration.
- B.1.4 The Management should provide all members of the Board with regular updates giving a balanced assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

## **B.2 External Auditors**

### **Principle**

Save for the appointment of the first external auditors, appointment of external auditors is a matter for the Audit Committee, subject to endorsement by the Board and final approval by the shareholders in general meeting. External auditors are to form an independent opinion, based on their audit, on the annual financial statements of the Company and report their opinion to the shareholders in accordance with the requirements under the Companies Ordinance and the Insurance Ordinance.

### **Code**

- B.2.1 The Audit Committee should make recommendations to the Board on appointment of external auditors.
- B.2.2 External auditors should be allowed to communicate freely with the internal audit function and the Audit Committee.
- B.2.3 External auditors should not have any conflict of interests in relation to the Company's business or arising from their relationship with any Board members or the Management.
- B.2.4 External auditors should report to the Audit Committee on the Management's response to audit findings and recommendations.

## **B.3 Internal Reporting**

### **Principle**

**Reporting by Board Committees:** Regular and informative reporting to the Board is a prerequisite for the effectiveness of Board committees. Lines of reporting between the Board and Board committees should be formalised and set out in the terms of reference of the relevant Board committees. Reports to the Board and minutes of Board committee meetings should be formally approved by the relevant Board committee before submission to the Board.

**Reporting by the Management:** The Management has the responsibility to support the Board by, among other things, ensuring that major issues are brought to the attention of the Board in a timely manner and that all relevant information is presented in a clear and concise way. Financial and non-financial performance and other accountability information should also be reported to the Board on a regular basis.

## **B.4 External Reporting**

### **Principle**

The Board should present a balanced and comprehensible assessment of the Company's position in reporting to shareholders and stakeholders (e.g. creditors). The quality of the information presented should be based on the principles of openness and substance over form. Reporting should address material matters of significant interest and concern to shareholders and stakeholders.

### **Code**

- B.4.1 External reporting should not be restricted to financial matters but should also include significant non-financial matters with a view to enhancing the transparency and accountability required for good corporate governance.

## **B.5 Corporate Governance Disclosure**

### **Principle**

The Board should promote transparency on governance by disclosing timely and appropriate information to the public and within the Company. Such disclosure should also take into account the applicable legal requirements.

## Part C – Internal Controls and Risk Management

### C.1 Internal Controls and Risk Management Process

#### Principle

The system of internal controls has a key role in the management of risks and fulfillment of the Company's business objectives. A sound system of internal controls contributes to safeguarding shareholders' investment and the Company's assets.

“**Internal controls**” refer broadly to processes effected by the Board, the Management and other relevant personnel and designed to provide a reasonable assurance regarding the achievement of the following:

- safeguarding shareholders' investment and the Company's assets;
- effectiveness and efficiency of operations;
- reliability of internal and external reporting;
- compliance with the applicable laws, regulations and internal policies, including corporate governance policies; and
- proper utilisation of the Company's resources.

The **system of internal controls** should:

- be embedded in the operations of the Company and form part of its culture;
- be capable of responding quickly to evolving risks impacting on the business, whether arising from factors within the Company or from changes in the business environment; and
- include procedures for immediate reporting to the appropriate level of the Management any significant controls failures or weaknesses, together with details of corrective action being undertaken.

Bearing in mind the importance of effective risk management, the Board is responsible for overseeing the total process of risk management including reviewing the Company's appetite or tolerance for risk, the effectiveness of the risk management policies and process for material risks on a regular basis and the sufficiency of resources for risk management. The Board shall carry out such duties with the assistance of the Management and such other committees which may be established by the Company for the purpose.

The Management is accountable to the Board for designing, implementing and monitoring the process of risk management and internal controls systems and integrating them into the day-to-day activities of the Company.

The Board has the responsibility to ensure that the Company has implemented an effective ongoing process to identify risks, to measure their potential impact against a broad set of assumptions, and then to activate what is necessary to manage those risks proactively.

## **Code**

- C.1.1 The Board should undertake a systematic and documented assessment of the processes and outcomes surrounding key risks, at least annually. The Board's annual review should consider the sufficiency of the resources, staff expertise and experience, training programmes and budget for achieving the goals of the Company. The Management should conduct regular risk assessment reviews and address the Company's risk exposure. The Board should, at appropriate intervals, receive and review reports from the relevant Board committees or the Management on the risk management processes of the Company.
- C.1.2 In addition to the Company's other compliance and enforcement activities, the Board should consider the need for a confidential reporting process covering fraud and other risks.
- C.1.3 As a key element of a sound internal controls system, responsibilities of staff at all levels should be clearly defined. Major duties and functions which are susceptible to abuse or corruption should be executed by different persons to ensure sufficient checks and balances.
- C.1.4 Any deviation from the Company's guidelines or policies should be properly documented to ensure accountability and to provide an audit trail.
- C.1.5 There should be clear definition, ownership and delegation of management responsibilities in the risk governance framework for managing different types of risks.
- C.1.6 The Board is accountable for the system of internal controls and the process of risk management, which should be regularly reviewed for effectiveness and for establishing appropriate risk and control policies.
- C.1.7 An ongoing process should be in place for identifying, evaluating and managing the significant risks faced by the Company that has been in place for the year under review.

- C.1.8 An adequate system of internal controls should be in place to mitigate the significant risks faced by the Company to an acceptable level. Although such a system can only provide reasonable assurance but not absolute guarantee that all risks are fully eliminated, the system should be designed to manage the risk of failure and maximise opportunities to achieve business objectives as far as possible.
- C.1.9 Documented and tested process should be in place that will allow the Company to continue its critical business processes in the event of a disastrous incident impacting on its activities.

## **C.2 Internal Audit**

### **Principle**

Internal audit should be an independent and objective assurance and consulting activity to add value to and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

An effective internal audit function should provide:

- assurance that the management processes are adequate to identify and monitor significant risks;
- confirmation of the effective operation of the established internal controls systems;
- credible processes for feedback on risk management and assurance; and
- objective confirmation that the Board receives the appropriate quality of assurance and information from the Management and that such information is reliable.

### **Code**

- C.2.1 The internal audit function should operate independently and objectively and may be performed by that of the Company's parent company as a group function. The internal audit function reports directly to the Chairman of the Audit Committee on all internal audit matters. The internal audit function also reports to the CEO on daily administrative function and is entitled to communicate freely with the Chairman of the Audit Committee without the presence of the Management.



- C.2.2 The annual internal audit plan should be based on risk assessment as well as on issues highlighted by the Audit Committee and the Management. The risk assessment process should be of a continuous nature so as to identify existing, residual and emerging risks and should be conducted by the internal audit function at least annually. This risk assessment should be coordinated with the Board's own assessment of risks.
- C.2.3 The Audit Committee should approve the annual internal audit work plan.
- C.2.4 The internal audit function should coordinate with other internal and external parties to ensure proper coverage of financial, operational and compliance controls and to minimise duplication of effort.
- C.2.5 The internal audit function should adopt best practice in planning and conducting reviews, reporting on its findings and following up on the implementation of its recommendations. Its work should also be given sufficient weight within the Company so that any significant matters of concern discovered by the internal audit function are quickly brought to the attention of the CEO and the Audit Committee.

### **C.3 Audit Committee**

#### **Principle**

The Board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal controls principles and maintain an appropriate relationship with the Company's external auditors. The Audit Committee plays an important role in the controls and risk management framework of the Company.

#### **Code**

- C.3.1 The Audit Committee should have its terms of reference setting out its role and the authority delegated to it by the Board.
- C.3.2 The Audit Committee should comprise a minimum of three Directors including at least one independent Non-Executive Director. It should be chaired by an independent Non-Executive Director. Its members need to have adequate financial, accounting, or auditing knowledge.
- C.3.3 The Audit Committee's principal function is to assist the Board in fulfilling its responsibilities by providing an independent review of the effectiveness of the financial reporting process and internal controls system of the Company.

## **C.4 Compliance with Statutory, Regulatory and Contractual Requirements**

### **Principle**

The Company should establish effective mechanisms to ensure that it complies with all applicable laws and regulations, and any non-statutory guidelines and codes. Individual departments are responsible for ensuring compliance with the statutory, regulatory and contractual requirements applicable to their daily business.

### **Code**

C.4.1 The Board should ensure that the Company observes and performs its contractual obligations and complies with all applicable laws, regulations, guidelines, industry standards and codes of practice and procedures. Accordingly, all departments should identify and familiarise themselves with all applicable laws, regulations, guidelines, industry standards and codes of practice and procedures, and contractual obligations relevant to their respective businesses and keep abreast of any amendments and updates to them.

All staff should ensure that any deviation from the Company's guidelines or policies should be properly documented to ensure accountability and to provide an audit trail.

### **Code of Conduct**

C.4.2 All staff members of the Company should have access to the Code of Conduct and the administration and corporate policies of the Company.

### **Staff Administration**

C.4.3 The staff administration system of the Company should be equitable and transparent and lay down guidelines to ensure consistency in practices and to prevent allegation of favouritism or manipulations.

C.4.4 The selection panel should comprise both managerial staff from the user department and human resources function to conduct vetting and selection of candidates.

C.4.5 There should be a fair mechanism for determining the remuneration packages of staff, taking into account the qualification, work experience, expertise and market rate.

- C.4.6 There should be a fair mechanism for determining pay adjustment and performance bonus.

**Document Retention**

- C.4.7 The Company's Document Retention Policy lays down policies on the retention of documents by the Company and ensures that legal requirements and management needs are met.
- C.4.8 Special care should be taken when handling or retaining any personal data of the staff or service recipients to ensure compliance with the personal data privacy protection laws and the Company's Document Retention Policy.

## **Part D – Company Secretary**

### **D.1 Role of the Company Secretary**

#### **Principle**

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board procedures are followed. The Company Secretary is responsible for advising the Board on governance matters.

#### **Code**

- D.1.1 The Company Secretary should have sufficient knowledge of the Company's affairs to perform the Company Secretary's duties.
- D.1.2 The Chairman of the Board should approve the selection, appointment or dismissal of the Company Secretary.
- D.1.3 The Company Secretary should report to the Board.
- D.1.4 All Directors should have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, rules and regulations are followed.

## Part E – Bribery, Illegal Advantages and Entertainment

### E.1 Prevention of Bribery Ordinance (PBO)

#### Principle

The PBO prohibits, among other things, the abuse of entrusted powers or official position by public servants or agents through the solicitation or acceptance of advantages. The Company is designated as a public body under the PBO. For purposes of the PBO, Directors may be regarded as “**public servants**”<sup>3</sup> and come within the definition of “**agents**”. Hence, Directors of the Company are subject to the prohibitions under the PBO and should take note of the provisions of the PBO on the acceptance of advantages in particular.

#### Code

##### Summary of Certain Provisions of the PBO

- E.1.1 Section 4 of the PBO: In relation to public servants, it is an offence for any person to, without lawful authority or reasonable excuse, offer an advantage<sup>4</sup> to a public servant for performing or abstaining to perform any act in the person’s capacity as a public servant. Likewise, it is also an offence for a public servant to solicit or accept advantages under similar circumstances.
- E.1.2 Section 5 of the PBO: In relation to contracts or subcontracts with public bodies, it is an offence for any person to, without lawful authority or reasonable excuse, offer an advantage to a public servant for giving assistance or using influence in connection with any contract or subcontract with such public body. It is also an offence for a public servant to solicit or accept advantages under similar circumstances.
- E.1.3 Sections 6 and 7 of the PBO: In relation to any person, it is an offence for any person to, without lawful authority or reasonable excuse, offer an advantage to any other person for not tendering for any contract or withdrawing from any tender with, or refraining from bidding at any auction conducted by or on behalf of, a public body. It is also an offence for a person to solicit or

---

<sup>3</sup> Under the PBO, “**public servants**” of a public body are defined to include members and employees of a public body. However, “**members**” of a public body are not defined under the PBO, and could mean shareholders or directors of a public body. Hence, Directors may be regarded as public servants for the purposes of the PBO.

<sup>4</sup> “**Advantage**” is widely defined under section 2 of the PBO, and covers almost anything that is of value, e.g. any gift (both of money and in kind), employment, service, favour, except entertainment. “**Entertainment**” is defined under section 2 of the PBO as the provision of food or drink for consumption on the occasion when it is provided, and of any other entertainment connected with, or provided at the same time as, such provisions.

accept advantages under similar circumstances.

- E.1.4 Section 9 of the PBO: In relation to agents, it is an offence for any person to, without lawful authority or reasonable excuse, offer an advantage to an agent for doing or forbearing to do any act in relation to the affairs or business of the person's principal. Likewise, it is also an offence for an agent to solicit or accept advantages under similar circumstances.

### **Directors' Compliance Obligations**

- E.1.5 Directors should obtain a good understanding of the legal requirements of the PBO and be aware of the importance of complying with the PBO.
- E.1.6 The summary of certain provisions of the PBO provided in this Code is for reference only. It remains the responsibility of each Director to ensure that he/she complies with the letter and spirit of the PBO. For the avoidance of doubt, the Company does not, by virtue of issuing this Code or providing the summary of any statutory provisions in this Code, give any advice or assume any responsibility to any person for any proceedings that may be brought under the PBO or any other statute.

### **Reporting of Non-Compliance**

- E.1.7 If a Director considers that he/she or any other Director or staff of the Company has contravened any provisions of the PBO or this Code in connection with the Company, the Director should report the same to the Company Secretary and is also recommended to report any contravention in relation to the PBO directly to the Independent Commission Against Corruption. Where appropriate, the Director should also seek independent legal advice.

## **E.2 Solicitation and Acceptance of Advantages**

### **Principle**

The Company prohibits Directors from soliciting or accepting any advantage from any persons or entities (e.g. customers, suppliers, contractors) in connection with the Company's business and affairs.

### **Code**

- E.2.1 A Director should decline any offer of an advantage if the acceptance may cloud the Director's objectivity in managing the Company's business, cause the Director to act against the Company interest, place the Director under an improper obligation, or lead to the perception or allegation of impropriety.

- E.2.2 A Director should always consider public perception when accepting an offer of an advantage and ensure that the solicitation or acceptance of any advantages can stand up to public scrutiny and will not bring the Company, the Company's parent company or any associate company of the Company to disrepute.
- E.2.3 For the purposes of this Code, **advantage** refers to almost anything which is of value (except for entertainment which is not lavish or frequent) and may include a gift (both of money and in kind), souvenir, discounts (including shopping vouchers or coupons), commission, loan, fee, reward, office, employment, contract, service, favour as well as air, sea and overland passages.
- E.2.4 Directors should not accept lavish, or unreasonably generous or frequent entertainment, or any entertainment which is likely to give rise to any potential or real conflict of interests, put the Directors under an obligation in the discharge of their duties, compromise their impartiality or judgement, or bring them or the Company, the Company's parent company or any associate company of the Company into disrepute bearing in mind public perception.
- E.2.5 For the purposes of this Code, **entertainment** means the provision of food or drink for consumption on the occasion when it is provided, and of any other entertainment connected with, or provided at the same time as, such provisions (e.g. a dinner followed by a performance).

### **E.3 Offering of Advantages**

#### **Principle**

Directors are prohibited from offering advantages to any director, staff or public official of any organisation, for the purpose of influencing such person or organisation in any of such party's dealings in relation to the Company, whether directly or indirectly through a third party, in the performance of their directors' duties.

#### **Code**

- E.3.1 Directors should so far as possible refrain from bestowing gifts or souvenirs to others in the performance of their directors' duties. Where it is necessary or unavoidable due to operational, protocol or other reasons, the number of gifts or souvenirs to be bestowed should be kept to a minimum and the exchange of gifts or souvenirs should be made from organisation to organisation.

E.3.2 Gift or souvenir items should not be lavish or extravagant and standard souvenirs inscribed with the Company's logo are preferred.