Corporate Governance Report

Corporate Governance Practice

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and enhance the corporate value of the Group. The Company has applied the principles of the corporate governance code (the "Corporate Governance Code") contained in Appendix C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to its corporate governance structure and practices in the manner as described in this report. Throughout the Year, the Company had complied with all the code provisions set out in the Corporate Governance Code, with the exception of code provision F.2.2.

Code provision F.2.2 requires the chairman of the board to attend the annual general meeting. Dr. Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 20 November 2023 (the "2023 AGM") due to his prior commitment to another important engagement. Mr. Doo Wai Hoi, William, the then alternate director to Dr. Cheng Kar Shun, Henry and now also an Executive Director and a Chairman of the Board, who took the chair of the 2023 AGM, together with members of the Board who attended the 2023 AGM, was of sufficient caliber for answering questions at the 2023 AGM.

Vision and Values

The Company instils a corporate culture across the Group based on its commitment to quality, integrity, innovation, passion, caring and teamwork. The Board plays a leading role in defining the vision, setting strategy in alignment with these core values for sustainability and continuous development of the Group.

Our Vision

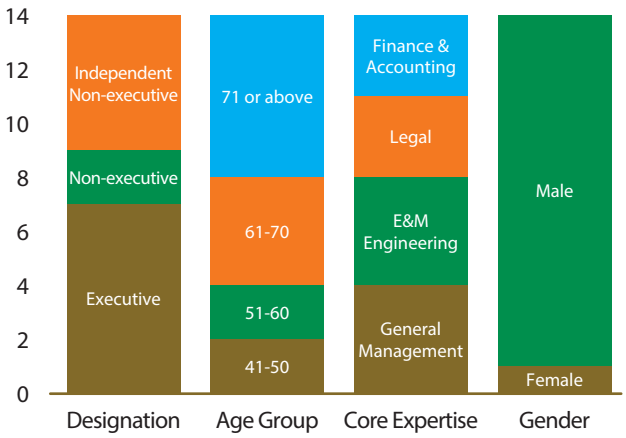
Better Life, Better Home,
Better Quality to You Everyday

Board of Directors

Composition and responsibilities

The Board currently comprises 14 Directors, including 2 Non-executive Directors, 7 Executive Directors and 5 Independent Non-executive Directors. An analysis of the current Board composition is set out in the following chart:

No. of Directors



The names, biographical details and relationship amongst them, if any, are set out on pages 20 to 26 in the section "Board of Directors and Senior Management".

While the Board is collectively responsible for the management and operations of the Company, the Chairmen of the Board provide leadership to the Board in carrying out its duties. The Executive Directors, together with the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions.

Diversity policy

The Board has adopted a Board diversity policy which recognises and embraces the benefits of a Board that possess a balance of skills, knowledge, professional experience, expertise and diversity of perspectives appropriate to the requirement of the businesses of the Group. In ensuring diversity of the Board, gender, age, cultural and educational background will also be taken into account. All Board appointments are based on meritocracy and considered with due regard for the benefits of diversity on the Board.

Currently, our Board members are from different educational backgrounds, comprising business executives, finance and accounting professionals, legal professionals and engineering experts. The Nomination Committee and the Board recognise the importance and benefits of gender diversity at the Board level. The Company appointed a female director to the Board during the Year. Female representation of the Board now accounts for approximately 7%.

The Board also places emphasis on diversity across all levels of the Group. We are committed to fostering an inclusive working environment for people from diverse backgrounds including their age, gender or gender reassignment, sex or sexual orientation, ethnic origin or nationality, marital or family status and disability. The gender diversity of the overall workforce of the Group is balanced, with a slightly higher number of female employees. While female representation at the senior management level only accounts for 13% as shown in the section "Board of Directors and Senior Management", the Company is taking initiatives to improve gender diversity across senior management. The Board will periodically monitor the gender composition of the Board and workforce and set targets and measurable objectives if and as needed based on the Group's business needs and development plans. The Company will continue to take gender diversity into consideration during recruitment such that there is a pipeline of female senior management and potential successors to the Board in the future. Further details on the gender ratio of the Group can be found in the Environmental, Social and Governance Report for FY2024 of the Group published together with this annual report.

Nomination policy

A nomination policy (the "Nomination Policy") for documenting the current procedures and practices for the nomination of Directors was approved by the Board in December 2018, which is applicable to both new appointments and re-appointments.

In accordance with the Nomination Policy, the procedures and process in respect of the nomination of Directors are summarised below:

1. The Nomination Committee shall invite nomination of candidates from the members of the Board, if any, for its consideration. The Nomination Committee may also put forward candidates who are not proposed by members of the Board.

2. For filling a casual vacancy or appointing an additional member to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval.

3. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to shareholders of the Company.

4. Shareholders of the Company may also propose candidate for election as a Director at a general meeting in accordance with the procedures posted on the Company's website.

The following factors would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- reputation for integrity;
- qualifications, skills and experience that are relevant to the business of the Group;
- commitment in respect of available time to carry out duties as a director;
- independence in character and judgement to act in the best interest of all shareholders of the Company;
- contribution to the Company's Board diversity policy; and
- any other perspectives that meet the current and anticipated needs of the Board.

In case of nominating the candidate for appointment/ re-appointment as an Independent Non-executive Director, in addition to the above selection criteria, the independence of the candidate would be assessed with reference to the independence criteria as set out in the Listing Rules.

Corporate governance functions

The Board is collectively responsible for performing the corporate governance duties which have been formalised into written terms of reference approved by the Board, including but not limited to developing, reviewing and monitoring the Group's policies, systems and practices in relation to its corporate governance and compliance with legal and regulatory requirements. The Board has reviewed the disclosures in this Corporate Governance Report.

Independent views to the Board

The Company has established mechanisms to ensure independent views are available to the Board, a summary of which is set out below:

(i) Composition

The Board ensures the appointment of at least one-third of its members being Independent Non-executive Directors. Further, Independent Non-executive Directors will be appointed to Board Committees as far as practicable to ensure independent views are available.

(ii) Board decision making

Directors (including Independent Non-executive Directors) are entitled to seek further information from management on the matters to be discussed at Board and Board committee meetings and independent advice from external professional advisers at the Company's expense.

(iii) The Group maintains a culture of open discussions across multiple management levels. Directors and senior management are encouraged to express their own views.

Directors' continuous professional development

Directors are encouraged to participate in continuous professional development. A record of participation in various professional development programs provided by each Director is kept by the Legal and Company Secretarial Department. Based on the details so provided, a summary of training received by the Directors for the Year is set out as follows:

	Giving talks or attending seminars/ conferences/ forums	Reading journals and updates on relevant rules and regulations and the Company's industry
Non-executive Directors		
Dr. Cheng Kar Shun, Henry *(Chairman)*	✓	✓
Mr. Poon Lock Kee. Rocky*	✓	✓
Executive Directors		
Mr. Doo Wai Hoi, William *(Chairman)*	✓	✓
Mr. Lam Wai Hon, Patrick *(Executive Vice-Chairman & Chief Executive Officer)*	✓	✓
Mr. Doo William Junior Guilherme	✓	✓
Mr. Lee Kwok Bong	✓	✓
Mr. Soon Kweong Wah	✓	✓
Mr. Wong Shu Hung	✓	✓
Dr. Cheng Chun Fai	✓	✓
Independent Non-executive Directors		
Mr. Kwong Che Keung, Gordon	✓	✓
Mr. Hui Chiu Chung, Stephen	✓	✓
Mr. Lee Kwan Hung, Eddie	✓	✓
Dr. Tong Yuk Lun, Paul	✓	✓
Ms. Leung Wan Chong Christine	✓	✓

* Redesignated from Executive Director on 1 July 2024.

Ms. Leung Wan Chong Christine, who was appointed as Independent Non-executive Director on 1 February 2024, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 31 January 2024. Ms. Leung has confirmed that she understood her obligations as a Director.

Board performance

To provide opportunities for improvement to the Board's effectiveness, the Board conducts self-assessment evaluation every two years by way of inviting Directors to complete a questionnaire on an anonymous basis. The last evaluation was conducted in December 2022. The findings and recommendations from the evaluation were presented to the Board. Based on the overall positive responses from the evaluation, the Board considered that the Board performed effectively. The next evaluation will be conducted in December 2024.

Roles of Chairmen, Vice-Chairman and Chief Executive Officer

Dr. Cheng Kar Shun, Henry and Mr. Doo Wai Hoi, William, Chairmen of the Board, jointly lead the Board and ensure that the Board works effectively. Mr. Poon Lock Kee, Rocky (resigned as the Chief Executive Officer with effect from 1 July 2024) and Mr. Lam Wai Hon, Patrick, the Executive Vice-Chairman and Chief Executive Officer (appointed as the Chief Executive Officer with effect from 1 July 2024), manage the Company's day-to-day businesses and implement major strategies and policies of the Company. The positions of the Chairmen and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties.

Non-Executive Directors

Non-executive Directors (including Independent Non-executive Directors) serve the relevant function of bringing independent views and judgement for the Board's deliberation and decisions. They have the same duties of care and skill and fiduciary duties as the Executive Directors. Each Non-executive Director has signed a letter of appointment with the Company for a fixed term of one year, except for Mr. Poon Lock Kee, Rocky whose appointment is for a fixed term of 18 months, subject to retirement by rotation in accordance with the Company's articles of association.

Board Committees

The Board is supported by various Board committees, including the Executive Committee, the Audit Committee, the Risk Management Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee. Each Board committee is provided with sufficient resources to discharge its duties in accordance with its terms of reference adopted by the Board. Other Board committees are established by the Board as and when necessary to take charge of specific tasks.

Executive Committee

The Board has delegated to the Executive Committee comprising all Executive Directors with authority and responsibility in handling the day-to-day businesses of the Company, while reserving the authority for the Board to approve, amongst other matters, the Company's long-term objectives, changes in capital structure, interim and annual financial statements, dividend policy, and significant operational matters. The Executive Committee meets regularly as and when necessary.

Audit Committee

The Audit Committee was established in November 2015. As at 30 June 2024, it comprised all the five Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon (as Chairman), Mr. Hui Chiu Chung, Stephen, Mr. Lee Kwan Hung, Eddie, Dr. Tong Yuk Lun, Paul and Ms. Leung Wan Chong Christine. Dr. Tong Yuk Lun, Paul resigned as a member of the Audit Committee with effect from 15 July 2024.

The Audit Committee is responsible for the review of the Company's financial information, financial reporting system, risk management and internal control systems. The Audit Committee also oversees the Company's relationship with the external auditors and makes recommendations to the Board on the appointment and reappointment of external auditor.

During the Year, the Audit Committee held two meetings and reviewed, amongst other matters, the Company's audit plans, internal control procedure, financial reporting system, continuing connected transactions, risk management policy and the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions. The Audit Committee also reviewed the interim results for the six months ended 31 December 2023 and the annual results for the Year and submitted recommendations to the Board for its approval, and discussed the Reports to the Audit Committee prepared by external auditor relating to accounting issues and major findings in the course of review and audit.

Risk Management Committee

The Risk Management Committee was established in February 2016 under the supervision of the Audit Committee. The Risk Management Committee comprises representatives from the divisional and functional management including operations, human resources, finance and other supporting departments and is chaired by Mr. Lee Kwok Bong, an Executive Director. The Risk Management Committee reports to the Audit Committee which supports the Board by monitoring and guiding the activities of the risk management and internal control systems.

During the Year, the Risk Management Committee held four meetings to regularly review, assess and monitor all major risks identified in different departments.

Remuneration Committee

The Remuneration Committee was established in November 2015. It comprises three Independent Non-executive Directors and two Executive Directors. As at 30 June 2024, the members of the Remuneration Committee were Mr. Hui Chiu Chung, Stephen (as Chairman), Mr. Lee Kwan Hung, Eddie, Dr. Tong Yuk Lun, Paul, Mr. Lam Wai Hon, Patrick and Mr. Poon Lock Kee, Rocky. Mr. Doo William Junior Guilherme was appointed as a member following Mr. Poon ceasing as a member of the Remuneration Committee on 1 July 2024.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, and on the establishment of a formal and transparent procedure for developing such policy. Prior to making its recommendations, the Remuneration Committee consults the Chairmen and/or the Executive Vice-Chairman and Chief Executive Officer of the Board. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

The remuneration of the Directors is determined by the Remuneration Committee with reference to the qualifications, experience, duties, responsibilities, performance of the Directors and the results of the Group.

During the Year, the Remuneration Committee held four meetings and reviewed the Company's remuneration policy and structure, including that for the Directors and senior management of the Company. The Remuneration Committee also reviewed and approved the yearly salary adjustments effective 1 January 2024 and the bonus payment for FY2023.

Nomination Committee

The Nomination Committee was established in November 2015. It comprises three Independent Non-executive Directors and two Executive Directors. As at 30 June 2024, the members of the Nomination Committee were Mr. Lee Kwan Hung, Eddie (as Chairman), Mr. Hui Chiu Chung, Stephen, Dr. Tong Yuk Lun, Paul, Mr. Doo William Junior Guilherme and Mr. Poon Lock Kee, Rocky. Mr. Lam Wai Hon, Patrick was appointed as a member following Mr. Poon ceasing as a member of the Nomination Committee on 1 July 2024.

The Nomination Committee is responsible for reviewing the structure, size, composition and diversity of the Board regularly and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include but are not limited to identifying individuals suitably qualified to become members of the Board, maintaining a level of diversity of the Board based on its diversity policy to ensure it possesses a balance of skills, knowledge, professional experience, expertise, objectivity and perspectives appropriate to the requirement of the business of the Group, monitoring the succession planning of Directors and assessing the independence of Independent Non-executive Directors.

During the Year, the Nomination Committee held three meetings. A summary of work done is as follows:

- reviewed the structure, size, composition of the Board with due consideration to the appropriate balance of skill and experience required by the Company;
- reviewed the Board diversity policy and the Nomination Policy of the Company;
- assessed the independence of all Independent Non-executive Directors and considered all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment;
- recommended to the Board the nomination of Dr. Cheng Kar Shun, Henry, Mr. Poon Lock Kee, Rocky, Dr. Cheng Chun Fai and Mr. Lee Kwan Hung, Eddie for reappointment as Directors by the shareholders of the Company at the 2023 AGM;
- reviewed and recommended to the Board the changes in the composition of the Board including (i) the appointment of Mr. Doo Wai Hoi, William as an Executive Director and Chairman of the Board; (ii) the appointment of Mr. Lam Wai Hon, Patrick as Chief Executive Officer; (iii) the appointment of Ms. Leung Wan Chong Christine as an Independent Non-executive Director; and (iv) the redesignation of Mr. Poon Lock Kee, Rocky from Executive Director to Non-executive Director; and
- reviewed and recommended to the Board new appointments to the Board committees including (i) the appointment of Mr. Doo William Junior Guilherme as a member of the Remuneration Committee; (ii) the appointment of Mr. Lam Wai Hon, Patrick as a member of the Nomination Committee; and (iii) the appointment of Ms. Leung Wan Chong Christine as a member of the Audit Committee and the ESG Committee.

ESG Committee

The ESG Committee (formerly known as the Sustainability Committee) was established in December 2020. It comprises three Executive Directors and two Independent Non-executive Directors. As at 30 June 2024, the members of the ESG Committee were Dr. Cheng Chun Fai (as Chairman), Mr. Lee Kwok Bong, Mr. Soon Kweong Wah, Mr. Lee Kwan Hung, Eddie and Dr. Tong Yuk Lun, Paul. Ms. Leung Wan Chong Christine was appointed as a member following Mr. Lee Kwan Hung, Eddie ceasing as a member of the ESG Committee on 1 July 2024.

The ESG Committee is responsible for the oversight of the Group's sustainability and ESG issues. It formulates the Group's sustainability strategies, priorities and policies, and advises the Board on the adoption, progress and achievement of sustainability targets and measures.

During the Year, the ESG Committee held two meetings to discuss, review and monitor the preparation of the ESG Report for FY2024 and other ESG-related matters. It also discussed and decided the KPIs and target settings for the ESG Report for FY2025.

Attendance of meetings

The attendance records of the Directors at Board meetings, committee meetings and general meetings of the Company during the Year are as follows:

	Number of meetings attended / eligible to attended							
	Board Meeting[(i)]	Executive Committee Meeting	Audit Committee Meeting	Risk Management Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	ESG Committee Meeting	General Meeting
Non-executive Directors								
Dr. Cheng Kar Shun, Henry	2/8[(i)]	–	–	–	–	–	–	0/3[(ii)]
Alternate Director								
Mr. Doo Wai Hoi, William (1 July 2023 to 18 March 2024)	4/4[(i)]	–	–	–	–	–	–	3/3[(ii)]
Mr.Lam Wai Hon, Patrick (since 19 March 2024)	2/2[(i)]	–	–	–	–	–	–	–
	8/8[(ii)]	–	–	–	–	–	–	3/3[(ii)]
Mr. Poon Lock Kee, Rocky[(iv)]	8/8	4/4	–	–	4/4	3/3	–	3/3
Executive Directors								
Mr. Doo Wai Hoi, William[(iii)]	2/2	3/3	–	–	4/4	–	–	3/3
Mr. Lam Wai Hon, Patrick	8/8	4/4	–	–	4/4	–	–	3/3
Mr. Doo William Junior Guilherme	8/8	4/4	–	–	–	3/3	–	3/3
Mr. Lee Kwok Bong	8/8	4/4	–	4/4	–	–	2/2	3/3
Mr. Soon Kweong Wah	8/8	4/4	–	2/4	–	–	2/2	3/3
Mr. Wong Shu Hung	8/8	4/4	–	–	–	–	–	3/3
Dr. Cheng Chun Fai	8/8	4/4	–	3/4	–	–	2/2	3/3
Independent Non-executive Directors								
Mr. Kwong Che Keung, Gordon	8/8	–	2/2	–	–	–	–	3/3
Mr. Hui Chiu Chung, Stephen	8/8	–	2/2	–	4/4	3/3	–	3/3
Mr. Lee Kwan Hung, Eddie	8/8	–	2/2	–	4/4	3/3	2/2	3/3
Dr. Tong Yuk Lun, Paul	7/8	–	2/2	–	4/4	3/3	2/2	3/3
Ms. Leung Wan Chong Christine[(v)]	2/3	–	1/1	–	–	–	–	2/2

Notes:

(i) A total of eight board meetings were held during the Year.

(ii) Mr. Doo Wai Hoi, William and Mr. Lam Wai Hon, Patrick, as the alternate Director to Dr. Cheng Kar Shun, Henry during the respective periods as stated above, attended all the board meetings and general meetings at which Dr. Cheng was not available.

(iii) Mr. Doo Wai Hoi, William was appointed as Executive Director and a Chairman of the Board on 18 March 2024.

(iv) Mr. Poon Lock Kee, Rocky was redesignated from Executive Director to Non-executive Director on 1 July 2024.

(v) Ms. Leung Wan Chong Christine was appointed as an Independent Non-executive Director and a member of the Audit Committee on 1 February 2024.

Directors' Securities Transactions

The Company has adopted its own Securities Dealing Code, with terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules, as the code for dealing in securities of the Company by the Directors. All Directors confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Securities Dealing Code adopted by the Company throughout the Year.

Auditor's Remuneration

During the Year, the total fees paid/payable in respect of audit and non-audit services provided by the Group's external auditor is set out below:

	Fees paid/payable for the year ended 30 June	
Type of services	**2024 HK$'000**	2023 HK$'000
Audit services	**5,427**	5,967
Non-audit services*	**2,195**	1,457
Total	**7,622**	7,424

* Non-audit services include tax advisory and other related services

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for presenting a balanced, clear and understandable financial statements and other disclosures in respect of each financial period of the Company required under the Listing Rules and other regulatory requirements.

The following statement, which should be read in conjunction with the independent auditor's report, is made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the external auditor in relation to the financial statements.

Annual report and financial statements

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss for the financial year. The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Accounting policies

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, which have been consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Accounting records

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Safeguarding assets

The Board is responsible for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

Going concern

After making appropriate enquiries and examining major areas which could give rise to significant financial exposures, the Board is satisfied that no material or significant exposures exist, other than as reflected in this annual report. The Board therefore has a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the financial statements.

The reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are stated in the Independent Auditor's Report on pages 105 to 109 of this annual report.

Risk Management and Internal Control

Risk management policy

The Board has overall responsibility for the maintenance of sound risk management and internal control systems within the Group and reviewing their effectiveness.

The Board has entrusted the Audit Committee with the responsibility to review the risk management and internal control systems of the Group, which include financial, operational and compliance controls. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the risk management and internal control systems on an ongoing basis.

The Board conducts reviews of the Group's risk management and internal control systems semi-annually. During the year, the review covered the aspects of financial, operational and compliance controls, and assessed the effectiveness of such systems by considering the work performed by the Audit Committee, executive management, external and internal auditors. The Board was satisfied that the Group's risk management and internal control systems are effective and adequate for their purposes.

A whistleblowing policy has also been adopted by the Board and is implemented in the Company's website and the intranet, which allows the Group's staff members and related third parties to raise concerns, in confidence, about misconduct, malpractices or irregularities in any matters related to the Group.

Risk management objectives

The Group aims to ensure that risks are controlled within the overall objectives corresponding to the Group's risk tolerance levels. Effective risk management ascertains that proper compliance of relevant laws and regulations and that significant measures for achieving the operating objectives are consistently applied.

Through a risk management process, both internally and externally, effective communication between the Group and the shareholders, and the preparation of true and reliable financial statements can be achieved.

Risk management culture

The Group emphasises the building of company culture around risk awareness, enhancing the staff's quality of risk management so as to ensure the realisation of the Group's risk management objectives.

Building of risk management culture is integrated into the whole process of building of company culture. The idea is to vigorously foster and create the risk management culture, establish a proper concept of risk management, transform the risk management awareness into a common understanding and self-conscious action, and promote the Group to formulate a systematic, standardised and efficient risk management mechanism.

The Group has created a risk management culture at all levels within the company. The Board pays great attention to fostering risk management culture whilst the Chairman of the Risk Management Committee is responsible for the daily work of fostering risk management culture. Directors and senior management play a leading role, while managerial personnel and operational staff form the backbone in fostering the risk management culture.

Risk appetite

The Group faces a broad range of risks resulting from its capabilities as an integrated services provider. The Group recognises that it is not possible or necessarily desirable to eliminate all the risk inherent in its activities and hence it only makes resources available to control risks to acceptable levels. The Group's risk appetite represents an appropriate balance of return and the risk assumed.

The risk appetite is disseminated to different levels of staff through the Group's Risk Management Manual and regular Risk Management Committee meetings.

The Board reviews the risk appetite periodically to ensure alignment with the Group's business objectives and strategic plans.

Risk management structure and responsibilities

The Board is accountable to the shareholders for the effectiveness of risk management. It has assumed the role of leadership and control and is collectively responsible for directing and supervising the Group's affairs and risk management culture. Therefore, it must ensure the effectiveness of implementing the risk management policy through the Audit Committee.

The Audit Committee is accountable to the Board on the effectiveness of risk management. It shall report semi-annually on the effectiveness of the Group's risk management to the Board through continuous monitoring by the Risk Management Committee and reviews by the internal audit function.

Major responsibilities of the Audit Committee are to establish formal and transparent arrangements and consider how it will apply the risk management principles. They shall consider the overall objectives, risk appetite, risk tolerance and risk management policy/strategies, and the significant risk management solutions for Board approval.

Chaired by Mr. Lee Kwok Bong, an Executive Director, the Risk Management Committee was established to report to the Audit Committee on the design, implementation, and monitoring of the comprehensive risk management systems.

The Risk Management Committee is responsible for developing the strategic risk policies, risk appetite and risk tolerance level and to ensure an appropriate risk management plan is well developed and timely approved by the Board. It will consider the risk management strategies and significant risk management solutions by maintaining effective processes for risk identification, impact evaluation and solution planning.

Internal audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Internal Audit Department, the head in charge of which reports directly to the Audit Committee and is provided with unrestricted access to all information on the Group's assets, records, and personnel during the audit. All Directors are informed of the findings of internal audit assignments.

During the Year, the Internal Audit Department carried out analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group though, among others, examination of risk-related documentation, conducting interviews with employees as well as internal control self-assessment questionnaires. It has also conducted a special audit on individual operation units.

The head in charge of the Internal Audit Department attended all Audit Committee meetings to explain the internal audit findings, respond to queries from members of the Audit Committee and report the follow-up actions.

Three lines of defense

Business line Management	Risk Management	Internal Audit
1st line of defence	2nd line of defence	3rd line of defence
Business line management are primarily responsible for managing its own process	Risk Management function is responsible for setting Enterprise Risk Management frameworks	Internal Audit provides assurance about design and effectiveness of 1st and 2nd line
Responsible for identifying and controlling risks by using business control frameworks, implement internal processes and adequate controls	Independent reporting to management board and audit committee	Reporting line to management and audit committee
	Advisor/consultant to 1st line	Advisory role to improve processes

Risk management process

A formal risk management policy has been put in place to ensure the regular identification, evaluation and management of the risks faced by the Group. Chaired by one of the Executive Directors, the Risk Management Committee takes the lead in the effective implementation of the risk management policy by all divisions and business units of the Group. Risk assessment and evaluation are an integral part of the annual planning process. Each division/business unit of the Group is to set its strategic objectives, identify specific risks and assess the effectiveness of its risk management actions and internal control measures to help ensure that the risks it faces are addressed by the controls that have been or will be implemented.

The Group emphasises the building of company culture around risk awareness. Workshops are organised for management staff to ensure proper appreciation, implementation and evaluation of risk management and corporate governance requirements.

The Group's risk management framework seeks to ensure that there is an effective process in place to manage risk across the Group. Risk management is integral to all aspects of the Group's activities and is the responsibility of all staff members.

Department heads and project leaders have a particular responsibility to evaluate their risk environment faced by their daily operations. They need to update the risk register and report to the RMC for the risks identified. Action plans to control the risks to an acceptable level will be developed and results will be monitored and reported to the RMC and the Board regularly.

Through the above process, the Board has maintained an effective risk management system which enables the Group to respond to significant risks in attaining its strategic objectives.

Risk assessment

The Group shall conduct risk assessment on the initial information, the Group's various operation management and significant operating processes. Risk assessment includes three steps: risk identification, risk analysis and risk evaluation.

Risk identification

It is the process of finding whether there are any risks and what are the risks in the various business units, operating activities, and significant operations of the Group.

Risk analysis

It is to analyse and describe the significance (or impact) of the identified risks and level of risk likelihood. The process includes analysis of the relationship between the risks in order to find out the combinations of positive and negative correlation effects between the natural hedging of each risk and the occurrence of risk events, and hence centrally manage the risks from the risk strategies.

Risk impact and risk likelihood

Risk impact is the measurement unit of the potential value (financial or non-financial) of occurrence of a risk event. Risk likelihood is the measurement unit of the probability of occurrence of the risk event. The Group regularly reviews the risk impacts and risk likelihood of the various risk factors affecting its operations and devise corresponding mitigation measures.

Risk factors

The Group's business, financial condition and results of operations are subject to several risks. The major risk factors set out below are those that could affect the Group's business, financial condition and results of operations materially different from expectations or historical results. Any of the following major risks, as well as other risks and uncertainties that are not yet identified or risks that are currently considered as immaterial, may materially and adversely affect the Group in the future.

Business/strategic risks

Risk Description	Risk Trend	Mitigation Measures
Macro-economy Construction and property markets in Hong Kong, Macau and Mainland China are significantly slowing down. China's economic growth prospect is likely to be dragged down with further escalation in trade tension between the US and Mainland China.	Unchanged	• Evaluate potential impacts by analysing the financial performance of the Group's businesses and monitoring business and economic data continuously. • Identify new business opportunities in local and regional markets to diversify macro-economic risk.
Labour and staff shortage The Group is facing severe labour and staff shortage in its different businesses. This may affect the Group's ability to maintain a stable workforce to complete projects and deliver good service quality. Its financial performance may also be affected as a result.	Unchanged	• Review existing remuneration package and compare with industry benchmarks regularly. • Collaborate with academic institutions for trainee programmes. • Deploy part time and casual labour and maintain good relationship with labour subcontractors to ensure sufficient supply of qualified and skilled labour. • Organise talent development programmes for different levels of staff to foster employee growth and career development as an important retention strategy.
Business counterparties When entering into business relationships, the Group becomes exposed to various types of counterparty risks which can arise from different sources. These risks include the credit risk of customers and main contractors, performance risk of subcontractors, legal and compliance risks of any business partners.	Unchanged	• Perform comprehensive legal and financial checks for business counterparties. • Maintain good relationship with a wide range of main contractors, subcontractors and suppliers to avoid overdependence on one or several business counterparties.

Legal and compliance risks

Risk Description	Risk Trend	Mitigation Measures
Government policies Changes in government and regulatory bodies' policies and intervention, laws and regulations, may cause business disruption.	Unchanged	• Monitor closely the changes in applicable laws and regulations, including ESG-related regulations, and evaluate their impacts to the Group's operations. • Integrate changes into relevant policies and procedures, operating and internal control systems to ensure compliance. • Provide updates and training to staff for their awareness and understanding of the new regulations.

Operational risks

Risk Description	Risk Trend	Mitigation Measures
Safety and personal injuries The Group's businesses have operations involving safety risks such as working at height, operation of machinery, electrical systems and appliances, lifting of heavy objects, etc. Failure to implement proper safety measures may result in personal injuries or even fatality.	Unchanged	• Enhance safety training and supervision of site workers including subcontractors' workers. • Improve safety facilities and personal protection equipment for frontline staff. • Set-up Group-wide safety task force to promote safety culture and monitor implementation of safety assurance plans and perform analysis and evaluation of accident cases.
Contract renewal and tender The Group's businesses are subject to the risk associated with tendering process. There is no assurance that the Group will successfully secure new contracts in favourable terms during the tendering process.	Unchanged	• Strive for operational efficiency including the adoption of technology to increase competition edge. • Collaborate with business partners strategically to bid for major tenders. • Analyse market trends, competitors' strengths and weaknesses and our won performance data to formulate tender strategies.
Cyber security With the increased application of Information Technology ("IT") in the Group's businesses, the threats to IT systems including cyber-attacks are imminent and present a real challenge to the Group's business operations.	Unchanged	• Strengthen IT infrastructure by enhancing authorization and authentication mechanisms. • Provide periodic training to staff to increase their cyber security awareness. • Employ specialists to assess cyber security vulnerabilities and controls. • Purchase cyber security insurance to cover losses due to business interruption and data loss.
Climate change and extreme weather One of the most visible consequences of global warming is an increase in the intensity and frequency of extreme weather events. This will impact the Group's operation and will result in significant business interruption.	Increasing	• Assess the potential impact of climate-related risks and opportunities posed to the Group's businesses. • Develop long term strategic plan to deal with climate-related risks and opportunities at corporate level. • An ongoing review via Risk Management and ESG governance frameworks.

Risk analysis by business segment

Property & Facility Management and City Essential Services

Risk Description	Risk Trend	Mitigation Measures
Debarment from tendering government contracts A significant portion of the Group's property management and cleaning service businesses rely on the government's non-skilled worker contracts. Any conviction of offence by a contractor under certain ordinances, relating to Occupational Safety, Employee's Compensation, Immigration and Mandatory Provident Funds, will be debarred from tendering those government contracts for a maximum of five years. Due to the work nature and large volume of workers employed by the two service segments, it is relatively easy to commit occupational safety offences most of the time by unintentional mistakes.	Unchanged	• Establish a comprehensive Occupational Safety and Health Management System complying with ISO 45001 and job risk assessment systems. • Provide sufficient briefing/training to frontline workers in respect of work instructions. • Increase site checking and audits. • Maintain proper site records and incident reports for management follow up. • Devise contingency plan in the event of debarment.

E&M Services		
Risk Description	**Risk Trend**	**Mitigation Measures**
Delay and latent defects The Group's E&M business involves working in uncertain site conditions, such as ground conditions, confined spaces and adverse weather. The Group is also responsible for material and labour quality. Any delays due to site conditions, late material delivery or poor installation quality may result in additional costs to the Group. In addition, the Group remains liable for latent defects for years and bears the associated costs despite the projects had been completed and occupied.	Unchanged	• Closely monitor construction programme and communicate with main contractors to avoid any potential liabilities due to delays. • Keep proper site records and incident reports.
Material price fluctuation The Group's E&M business is required to procure a vast amount of building materials for its works. These building materials are subject to high volatility in price of raw materials, particularly steel and copper.	Unchanged	• Procure materials on time when contracts are secured to reduce the risk of price fluctuation.

Company Secretary

The Chief Financial Officer of the Group acts as the company secretary of the Company. He has confirmed that he had taken no less than 15 hours of relevant professional training.

Shareholder and Investor Relations

The Board established a shareholders' communication policy setting out the principles with the objectives of ensuring that shareholders of the Company and the investing public are provided with ready, equal and timely access to balanced and understandable information of the Group.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents and latest corporate news are available on the Company's website. Besides, information requests and/or enquiries from shareholders (through the channels as set out in the section below) are welcome and have always been timely responded.

The 2023 AGM and two extraordinary general meetings held during the Year provided a forum for the Board members to communicate directly with shareholders. These meetings also provided shareholders an opportunity to share their views on the Company's performance and operations.

The Company has also maintained an ongoing active dialogue with institutional shareholders. The Executive Directors and senior management of the Group are closely involved in promoting investor relations. Meetings and briefings with financial analysts and investors are conducted by the Executive Directors and senior management of the Group.

Having considered the multiple channels of communication in place, the Board is satisfied that the shareholders' communication policy has been properly implemented and is effective.

A Manual on Disclosure of Inside Information is in place giving guidance on the managing, protection and proper disclosure of information that has not already been made public. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

Shareholders' Rights

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene a general meeting (the "EGM") other than an annual general meeting of the Company are subject to the Company's articles of association, the Companies Act (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and applicable legislation and regulation:

(1) One or more shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition (the "Requisition"), not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, shall have the right, by written notice, to require an EGM to be called by the Directors for the transaction of any business specified in such Requisition.

(2) The Requisition must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

(3) The Requisition may consist of several documents in like form which may be sent to the Board or the company secretary of the Company in hard copy form or in electronic form (and must be authenticated by the Requisitionist(s)) at the Company's head office in Hong Kong or through email at enquiry@fse.com.hk.

(4) The Directors must call the EGM within 21 days after the date of the deposit of the Requisition and the EGM must be held within two months after the date of the deposit of the Requisition.

(5) If the Directors are required under paragraph (1) above to call an EGM and fail to do so pursuant to paragraph (4), the Requisitionist(s) may themselves call the EGM. Any reasonable expenses incurred by the Requisitionist(s) by reason of the failure of the Directors duly to call the EGM must be reimbursed by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or through email at is-enquiries@vistra.com.

Shareholders may at any time raise any enquiry in respect of the Company at the Company's head office in Hong Kong or through email at enquiry@fse.com.hk.

Procedures for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the Company's head office in Hong Kong.

The request will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Board will determine in its discretion whether to include the Proposal in the agenda for the Company's general meeting.

Amendment to the Company's Constitutional Documents

With the approval of the shareholders of the Company at the general meeting held on 18 March 2024, the Company has amended its articles of association. Details of the amendments have been set out in the Company's circular dated 1 March 2024. An up-to-date version of the memorandum and articles of association of the Company is available on both the websites of the Company and HKEXnews.