

# Corporate Governance Report

The Company strikes for high standard corporate governance to enhance shareholders' interests and promote sustainable development. A quality board of directors (the "Board") for leadership, effective internal controls, as well as transparency and accountability to all shareholders are essential to the Company. The Board reviewed the codes and practices of corporate governance and the disclosure of this Corporate Governance Report, from time to time, to improve the Company's corporate governance practices with regards to the latest developments on all applicable laws, rules and regulations.

## Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Corporate Governance Code") throughout the year ended December 31, 2018, save that none of the Directors are appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Under Article 107(A) of the Articles of Association of the Company, one-third of the Board must retire by rotation at each general meeting of the Company, and if eligible, offer themselves for re-election.

The Company has also voluntarily complied with a number of the recommended best practices set out in the Corporate Governance Code, aimed at further enhancement of the Company's corporate governance standard as well as promotion of the best interests of the Company and shareholders as a whole.

## Corporate Governance Policy

The Board continuously develops, reviews and monitors the corporate governance policies and practices to ensure compliance with the Company's Articles of Association and the laws, rules and regulatory requirements governing the Group. The corporate governance function performed by the Board through, but not limited to, the following:

- review compliance of the Corporate Governance Code and the disclosure set out in this Corporate Governance Report.

- monitor and review compliance of the Model Code for Securities Transactions by Directors, the Code for Securities Transactions by Relevant Employees and other codes of conduct of the Company.
- monitor and review the training and continuous professional development of Directors and senior management.

## Board of Directors

### Roles and Responsibilities

With an effective corporate governance framework, the Board is collectively responsible for leading, supervising and setting directions and strategies for the affairs of the Group to strike for long term success of the Company. The principal responsibilities of the Board include, but are not limited to, the following:

- develop and review overall mid-term and long-term strategy and direction of the Company.
- review and monitor risks and changes in local and international business communities in order to enhance shareholders' value.
- oversee the Company's operations and financial performance through determination of the annual budget and continuous review of performance results.
- consider matters covering major acquisitions and disposals, appointment of Directors, senior management and external auditors, as well as other significant operational matters.
- formulate the Company's policies and practices on corporate governance.

The Board continuously monitors the delegation and the reservation for decision and consideration of specifically identified matters, with specific functions are delegated to Board Committees and senior management of the Group. The Company has adopted formal written procedures, which are reviewed regularly, for the governance of delegation and reservation of responsibilities of the Board.

## Board Composition

As at the date of this report, the Board consists of five Group Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. An analysis of the current composition of the Board of the Company is set out below:

### Group Executive Directors

Mr Horst Julius Pudwill (Chairman)  
 Mr Stephan Horst Pudwill (Vice Chairman)  
 Mr Joseph Galli Jr (Chief Executive Officer)  
 Mr Kin Wah Chan (Operations Director)  
 Mr Chi Chung Chan (Group Chief Financial Officer)

### Non-executive Directors

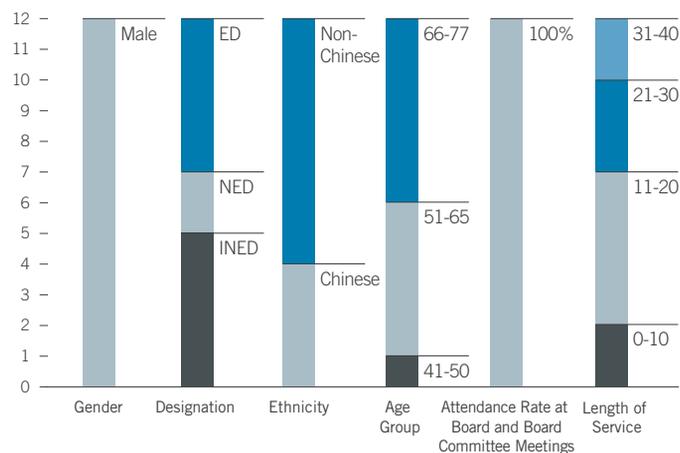
Prof Roy Chi Ping Chung GBS BBS JP  
 Mr Camille Jojo

### Independent Non-executive Directors

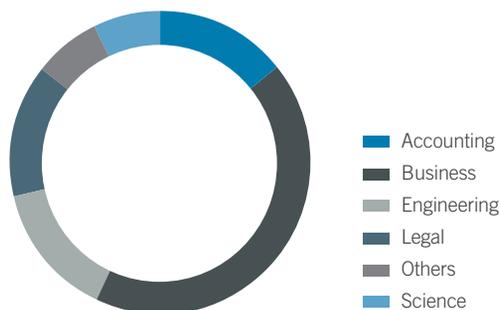
Mr Christopher Patrick Langley OBE  
 Mr Manfred Kuhlmann  
 Mr Peter David Sullivan  
 Mr Vincent Ting Kau Cheung  
 Mr Johannes-Gerhard Hesse

The biographical details and relevant relationships of the members of the Board are set out on pages 60 to 65 of this annual report. A list of Directors and their roles and functions are published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

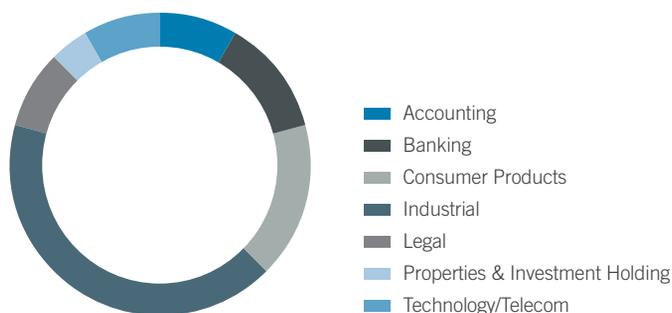
Number of Directors



## Educational Background



## Professional Experience



In order to promote balance of authority, accountability and power, the roles of Chairman and Chief Executive Officer of the Company have been segregated and clearly distinguished.

The roles of Chairman comprise, but are not limited to, the following:

- take the lead to ensure the Board discharges its responsibilities and performs effectively.
- oversee and ensure sound practices and procedures.
- ensure all Directors are properly briefed on issues arising at Board meetings and always receive timely, accurate and reliable information.
- encourage all Directors to make active and full contributions to the Board's affairs.
- lead the Board to ensure it acts in the best interests of the Company.
- enhance effective communication with shareholders and encourage the views of shareholders are communicated to the Board as a whole.

The roles of Chief Executive Officer comprise, but are not limited to, the following:

- execute the Company's strategic initiatives.
- provide leadership for the global management team in the Group's daily operations.
- enhance the global sales potential of the Company's strong brand portfolio and facilitate the integration of acquisitions, if any.

The Nomination Committee recommends the appointment of directors for approval of the Board. Before accepting their appointment, Directors are aware that they must be able to contribute sufficient time and attention to the affairs of the Company. A formal orientation is provided for each newly appointed Director, which details the duties and responsibilities of Directors under the Listing Rules, the Company's Articles of Association, and related ordinances and relevant regulatory requirements of Hong Kong. Presentations by external professionals and senior executives of the Company are also provided to ensure a proper understanding of the Company's business and operations.

Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association and the Listing Rules. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the next annual general meeting after their appointment. Independent Non-executive Directors and Non-executive Directors form a majority of the Board, and the Independent Non-executive Directors represent over one-third of the Board as at the date of this report. Furthermore, majority of the Independent Non-executive Directors possesses professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. All Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. Annual confirmation of independence from each of the Independent Non-executive Directors has been received by the Company and they are still considered to be independent.

The Board has arranged appropriate Directors' and Officers' liability insurance to indemnify the Directors and Officers of the Group for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

## Directors' Continuous Professional Development

To ensure that Directors are aware of the latest development in the commercial and regulatory environment in which the Company conducts its business, all Directors are provided with regular training, updates and written materials on relevant laws, rules and regulations. The Directors are encouraged to participate in various professional development programs especially in relation to compliance requirements to develop and refresh their knowledge and skills and the latest updates on relevant rules, regulations in order to ensure that the Directors' contribution to the Board remains informed and relevant.

All Directors participate in continuous professional development as set out in code provision A.6.5 of the Corporate Governance Code. According to the records of training provided by each Director to the Company, the training received by the Directors in 2018 is summarized in the following table:

	Type of Continuous Professional Development Programme		
	Updates on business operations, laws, rules and regulations or corporate governance matters	Updates on directors' roles, functions and duties	Updates on accounting, financial or other professional skills
<b>Group Executive Directors</b>			
Mr Horst Julius Pudwill	√	√	
Mr Stephan Horst Pudwill	√	√	
Mr Joseph Gallii Jr	√	√	
Mr Kin Wah Chan	√	√	√
Mr Chi Chung Chan	√	√	√
<b>Non-executive Directors</b>			
Prof Roy Chi Ping Chung GBS BBS JP	√	√	√
Mr Camille Jojo	√	√	√
<b>Independent Non-executive Directors</b>			
Mr Christopher Patrick Langley OBE	√	√	√
Mr Manfred Kuhlmann	√	√	
Mr Peter David Sullivan	√	√	
Mr Vincent Ting Kau Cheung	√	√	√
Mr Johannes-Gerhard Hesse	√	√	√

## Compliance with the Codes for Securities Transactions

The provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") has been adopted by the Board. In response to the specific enquiries made, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2018.

The Company has also adopted another code of conduct on terms no less onerous than the Model Code that applies to securities transactions of all relevant employees who may be in possession of unpublished price sensitive information in relation to the Company (the "Code for Securities Transactions by Relevant Employees"). During the year, no incident of non-compliance was noted by the Company.

Both the Model Code and the Code for Securities Transactions by Relevant Employees have been published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)).

## Board Meetings

The Board meetings of the Company are held regularly, at least four Board meetings are scheduled in a year with more frequent meetings as and when required in order to facilitate the effectiveness of the Board. In 2018, five Board meetings were held and the attendance records of each Director are set out in the section headed "Board, Board Committee and General Meetings in 2018" at the end of this report.

To ensure maximum attendance of Directors, Board meeting, Board Committee meeting and Annual General Meeting dates for 2019 were agreed upon at the Board meeting held in August 2018. The meeting agenda is set by the Chairman in consultation with members of the Board to include any other matters raised by Directors in advance. Minutes of the Board and Board Committee meetings with sufficient details of matters and concerns discussed are prepared and maintained by the Company Secretary of the Company (the "Company Secretary"), which are sent to the Directors for comment and records. Board records which are kept in safe custody by the Company Secretary are available for inspection by the Directors.

All Directors are provided with accurate reliable and complete information on the affairs of the Group in a timely manner. They have access to all related materials in relation to the Board's issues to facilitate informed decisions with sufficient details. To enhance understanding of the business of the Group and Directors' responsibilities under statute and at common law, all Directors are provided with briefings and professional development training as necessary. The Company Secretary provide full support to the Directors in order to ensure Board procedures and all applicable laws, rules and regulations are followed. Directors are also provided with access to senior management of the Group upon request, as well as to independent professional advice on performing their duties at the Company's expense.

### Board Committees

The Board has established three Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, to delegate various responsibilities. Each of these Board Committees has specific written terms of reference which deal clearly with their authority and duties and have been published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

Independent Non-executive Directors form majority of all Board Committees. With regular attendance and active participation of Independent Non-executive Directors, independent views and opinions are encouraged to be contributed and expressed at the Board Committee meetings. The Board monitors and oversees the delegated authority and responsibilities through regular reporting by the Board Committees in relation to their activities involved and recommendations and decisions made. The attendance records of each Board Committee are set out in the section headed "Board, Board Committee and General Meetings in 2018" at the end of this report.

### Audit Committee

The Audit Committee is formed by four Independent Non-executive Directors and chaired by Mr Peter David Sullivan with other members being Mr Manfred Kuhlmann, Mr Vincent Ting Kau Cheung and Mr Johannes-Gerhard Hesse. Most of the members of the Audit Committee have professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

The Audit Committee aims to ensure compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations as well as effectiveness of the risk management and internal control systems. It also oversees the integrity of the financial statements of the Company. The Audit Committee is also directly responsible on behalf of the Board for the selection, oversight and remuneration of the Company's external auditors, the assessment of the independence and qualifications of the external auditors, the oversight of the performance of the Company's external auditors and the maintenance of an appropriate relationship with the external auditors.

The Audit Committee held four meetings in 2018 and performed duties summarized below:

- review and make recommendations to the Board for the approval of the interim and annual financial statements of the Group.
- review the Group's accounting principles and practices, financial reporting matters and significant financial matters.
- review the scope, extent and effectiveness of internal audit function of the Group.
- review and assist to maintain the effectiveness of the Group's risk management and internal controls systems.
- oversee the relationship between the Company and the external auditors, recommend the re-appointment of the external auditors and review the audit and non-audit services provided by the external auditors.

## Nomination Committee

The Nomination Committee is chaired by Mr Horst Julius Pudwill (Chairman of the Board) with the other members being Mr Vincent Ting Kau Cheung, Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann and Mr Johannes-Gerhard Hesse (who has been appointed with effect from March 6, 2019). All members except Mr Horst Julius Pudwill are Independent Non-executive Directors.

The Nomination Committee aims to ensure a fair and transparent process of Board appointments, and in particular, to assist the Board to identify suitably qualified candidates and make recommendations for consideration of the Board and shareholders. In their recommendations, the Nomination Committee considers factors including, but not limited to, ethics, professional knowledge, integrity, industry experience and personal skills as well as the ability to contribute sufficient time and attention to the Board when considering suitable candidates of Directors.

The Nomination Committee held two meetings in 2018. The work performed by the Nomination Committee in 2018, with sufficient resources provided by the Company and/or independent professional advice when necessary, included:

- review the Board Diversity Policy and the Nomination Policy.
- review of the structure, size and composition of the Board on a regular basis.
- make recommendations to the Board on relevant matters relating to the retirement and re-election of the Directors at the 2018 Annual General Meeting.
- assess the independence of Independent Non-executive Directors.

The Board has adopted the Board Diversity Policy in August 2013, which is published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)). Widening diversity at the Board level is essential for sustainable development of the Group. The Nomination Committee would consider various perspectives, including, but not limited to, age, gender, cultural and educational background, professional experience and length of service while reviewing the composition of the Board. An analysis of the current Board composition based on these objective criteria is set out on page 67 of this report.

## Remuneration Committee

The Remuneration Committee is formed by majority of Independent Non-executive Directors and is chaired by Mr Vincent Ting Kau Cheung with the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Peter David Sullivan and Mr Camille Jojo.

The responsibilities of the Remuneration Committee include, but not limited to, developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group and the remuneration of Directors and senior management of the Group, and determining their remuneration packages, on the basis of their competence, merit and qualifications, and having regard to individual performance, comparable market statistics and the Company's return to shareholders and operating results. The Remuneration Committee makes recommendations to the Board on the remuneration packages of Executive Directors and senior management, including, without limitation, base salaries, benefits in kind, compensation payments and bonuses, and consults the Chairman and/or Chief Executive Officer for the proposals of other Executive Directors' remuneration packages. The Remuneration Committee also makes recommendations to the Board on the remuneration of Non-executive Directors and Independent Non-executive Directors. The Remuneration Committee reports directly to the Board on its decisions or recommendations and with access to sufficient resources and professional advice if necessary.

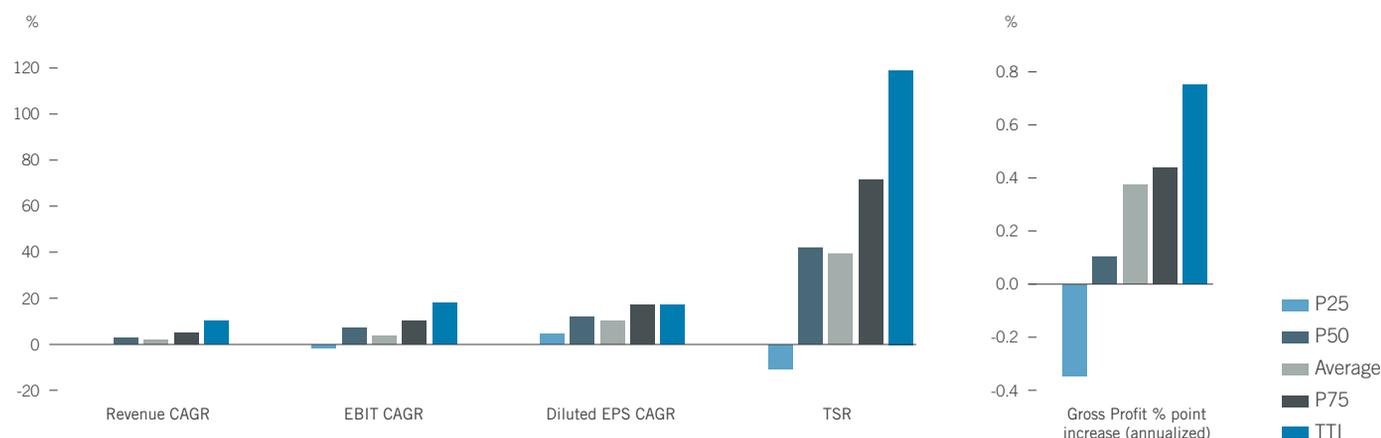
The Remuneration Committee held two meetings in 2018 and performed, among other work, the following:

- assess the Executive Directors' performance and remuneration packages.
- review and make recommendations on the existing Remuneration Policy for Directors and senior management.

The Group engages a global executive compensation consulting firm as an independent third party to review the compensation of the CEO. The compensation of the Group's CEO was assessed relative to similar CEO positions at 20 similarly sized peer companies operating in the same or adjacent industries. The consultant's assessment took into account the Group's absolute share price, financial and operational performance, as well as that relative to the peer companies.

As shown in the chart below, over the past five years the Group has outperformed the peer companies in a number of key performance metrics such as revenue growth, EBIT growth, diluted EPS growth, gross profit margin improvement and stock price performance.

**Five Year Performance Metrics Growth**



Source: Peer companies' data from S&P Capital IQ

The Remuneration Committee reviewed and recommended to the Board for approval the 2018 incentive payouts for the CEO in the context of this strong performance delivered by the Group.

To retain Mr Galli as a CEO with a long track record of exceptional performance and to incentivize him to continue to deliver superior, sustainable, long-term results, the Remuneration Committee recommended, and the Board approved, multi-year performance-based share awards to Mr Galli (“CEO Share Awards”) subject to the Company’s achievement of share price and operational performance criteria (“Performance Criteria”) over the period 2019 to 2023 to be specified by the Remuneration Committee. Provided the Company meets the Performance Criteria each year, Mr Galli will be awarded one million shares per year over five years for a total of five million shares. The first award will be made on or about January 1, 2020 for performance achievement over the 2019 financial year. All awarded shares will vest on the anniversary of the fifth award date, provided Mr Galli remains an employee in good standing at the Company through the vesting date. The CEO Share Awards will further align Mr Galli’s interest with those of the shareholders and help assure his services to the company through the vesting date. The CEO Share Awards will be made under the 2018 Share Award Scheme.

The Company has two share award schemes in place, namely the 2008 Share Award Scheme and the 2018 Share Award Scheme. The 2008 Share Award Scheme was adopted on January 9, 2008 (the “2008 Adoption Date”) and expired from January 9, 2018, though its provisions shall remain in full force and effect in all other respects. Following the expiry of the 2008 Share Award Scheme, the 2018 Share Award Scheme was adopted with effect from January 17, 2018 (the “2018 Adoption Date”).

The scheme rules of both the 2008 Share Award Scheme and the 2018 Share Award Scheme are substantially identical and below are the summary of the principal terms of both schemes:

Any employee or Director (including, without limitation, any Executive, Non-executive or Independent Non-executive Director) of any member of the Group (the “Eligible Person”) will be entitled to participate the schemes. Unless terminated earlier by the Board in accordance with the respective scheme rules, the effective term of each scheme is 10 years commencing on the adoption date of the relevant scheme provided that no contribution to the trust will be made by the Company on or after the 10th anniversary date of the adoption date of the relevant scheme. Details of both schemes were announced by the Company on the respective adoption date of each scheme.

The Board may, from time to time, at their absolute discretion select any Eligible Person for participation in any scheme as a selected grantee (the "Selected Grantee") and determine the number of shares to be awarded or make reference to a nominal amount. The relevant number of shares awarded will be purchased by the trustee of the schemes from the market or new shares will be subscribed for by the trustee at the cost of the Company and be held in trust until they are vested. When the Selected Grantee has satisfied all vesting conditions specified by the Board, the trustee will transfer the relevant vested shares together with the income derived therefrom (net of accrued interest) to the Selected Grantee.

The maximum number of shares which can be awarded under each scheme is 10% of the issued share capital of the Company as at the adoption date thereof, and the maximum number of shares which can be awarded under each scheme to a Selected Grantee, at any one time, shall not in aggregate exceed 1% of the issued share capital of the Company as at the adoption date thereof. The total issued share capital of the Company as at the 2008 Adoption Date and the 2018 Adoption Date were 1,501,252,152 shares and 1,835,021,941 shares, respectively.

Since the 2008 Adoption Date and up to December 31, 2018, a total of 3,946,000 shares had been awarded under the 2008 Share Award Scheme, representing 0.26% of the issued share capital of the Company as at the 2008 Adoption Date. Recognition of share-based payment expenses under the 2008 Share Award Scheme during the year was US\$471,000. During the year ended December 31, 2018, a total of 10,500 shares had been awarded under the 2008 Share Award Scheme to one Director of the Company, representing less than 0.01% of the issued share capital of the Company as at the 2008 Adoption Date. The total payout, including related expenses, amounted to US\$42,000. In addition, during the year ended December 31, 2018, 160,500 shares were transferred to the Selected Grantees upon vesting under the 2008 Share Award Scheme.

Since the 2018 Adoption Date and up to December 31, 2018, a total of 1,164,000 shares had been awarded under the 2018 Share Award Scheme to five Directors of the Company, representing 0.06% of the issued share capital of the Company as at the 2018 Adoption Date. Recognition of share-based payment expenses under the 2018 Share Award Scheme during the year was US\$1,873,000. The total payout, including related expenses, amounted to US\$4,538,000. During the year ended December 31, 2018, no share was vested under the 2018 Share Award Scheme. As at December 31, 2018, details of the awarded shares under the 2008 Share Award Scheme and the 2018 Share Award Scheme were as follows:

Name of Directors	Date of Award	Share award scheme category	Number of awarded shares	Number of shares				As at December 31, 2018	Vesting Period	Closing price at the Date of Award
				As at January 1, 2018	Awarded during the year	Vested during the year	Lapsed during the year			
Mr Horst Julius Pudwill	18.9.2014	2008	350,000	—	—	—	—	18.9.2015 – 18.9.2017	HK\$22.50	
	26.9.2014	2008	174,000	—	—	—	—	26.9.2015 – 26.9.2017	HK\$22.10	
	15.10.2015	2008	500,000	—	—	—	—	15.10.2016 – 15.10.2017	HK\$27.10	
	23.3.2017	2008	300,000	300,000	—	(150,000)	150,000	23.3.2018 – 23.3.2019	HK\$32.15	
	21.3.2018	2018	500,000	—	500,000	—	500,000	15.3.2019 – 15.3.2022	HK\$47.00	
Mr Stephan Horst Pudwill	15.10.2015	2008	100,000	—	—	—	—	15.10.2016	HK\$27.10	
	21.3.2018	2018	50,000	—	50,000	—	50,000	15.3.2019 – 15.3.2022	HK\$47.00	
Mr Joseph Galli Jr	17.12.2014	2008	300,000	—	—	—	—	17.12.2015 – 17.12.2017	HK\$25.85	
	15.10.2015	2008	1,000,000	—	—	—	—	15.10.2016 – 15.10.2017	HK\$27.10	
	19.8.2016	2008	1,000,000	—	—	—	—	31.8.2016	HK\$30.50	
	21.3.2018	2018	514,000	—	514,000	—	514,000	15.3.2019 – 15.3.2022	HK\$47.00	
Mr Kin Wah Chan	15.10.2015	2008	100,000	—	—	—	—	15.10.2016	HK\$27.10	
	21.3.2018	2018	50,000	—	50,000	—	50,000	15.3.2019 – 15.3.2022	HK\$47.00	
Mr Chi Chung Chan	15.10.2015	2008	100,000	—	—	—	—	15.10.2016	HK\$27.10	
	21.3.2018	2018	50,000	—	50,000	—	50,000	15.3.2019 – 15.3.2022	HK\$47.00	
Mr Camille Jojo	4.1.2017	2008	11,500	—	—	—	—	4.1.2017	HK\$28.00	
	8.1.2018	2008	10,500	—	10,500	(10,500)	—	8.1.2018	HK\$51.50	
<b>Total</b>			<b>5,110,000</b>	<b>300,000</b>	<b>1,174,500</b>	<b>(160,500)</b>	<b>—</b>	<b>1,314,000</b>		

## Notes:

- (1) All the awarded shares are purchased from the market.
- (2) At the end of the year, the average fair value per share is HK\$30.30. The average fair value of the awarded shares is based on the average purchase cost.
- (3) During the reporting year, a total of 2,800,000 shares were purchased at an aggregate consideration of US\$15,191,000 for satisfying the awards granted pursuant to the 2008 Share Award Scheme and the 2018 Share Award Scheme.
- (4) 10,000 shares were awarded and vested to Mr Camille Jojo on January 2, 2019.

## Change in Director's Emoluments

Mr Johannes-Gerhard Hesse, an Independent Non-executive Director, was appointed as member of the Nomination Committee with effect from March 6, 2019. Mr Johannes-Gerhard Hesse will be entitled to the Nomination Committee fee which has been fixed by the Board.

The Remuneration Committee reviewed and recommended changes to Directors' Emoluments in March 2019. These changes were approved by the Board and will be effective as of January 1, 2019.

- Eliminated meeting fees to Non-executive Directors and Independent Non-executive Directors for attending Board and Board committee meetings
- Increased the annual basic Director fee in cash to HK\$600,000
- Included as the basic Director fee an annual grant of shares to vest on the first anniversary of the date of award
- Adjusted the Remuneration Committee and Nomination Committee chair and member fees to HK\$100,000 and HK\$60,000, respectively

The new remuneration framework for Non-executive Directors and Independent Non-executive Directors is as follows:

<b>Board</b>	
– Basic fee (cash)	HK\$600,000
– Basic fee (shares)	Varies
<b>Audit Committee</b>	
– Chairman	HK\$225,000
– Member	HK\$150,000
<b>Nomination Committee</b>	
– Chairman	HK\$100,000
– Member	HK\$60,000
<b>Remuneration Committee</b>	
– Chairman	HK\$100,000
– Member	HK\$60,000

The changes to the Non-Executive Directors' and Independent Non-Executive Directors' remuneration arrangements are intended to simplify and standardize the overall package while improving the Directors' alignment with shareholders through annual grants of Company shares.

## Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are followed. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is also responsible for facilitating information flow and communication among Directors as well as with Shareholders and management of the Company. The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary undertook over 15 hours of professional training to update her skills and knowledge every year.

## Accountability and Audit

The Board acknowledges its responsibility for overseeing the preparation of the accounts of the Group which give a true and fair view of the Group's state of affairs, results and cash flows for the year.

The Board will present a balanced, clear and understandable assessment of annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

## Risk Management and Internal Controls

Risk management and internal control is essential for the Group's achievement of its long term goals. The Board continuously monitors and reviews key internal control policies which include the treasury management policy, delegated authorities, policy on market disclosure, investor and media relations and non-audit services, as well as key risk management functions which include treasury, capital management, insurance and legal. In order to maintain a sound and effective risk management and internal control systems, the Board conducts an annual review of the effectiveness of the risk management and internal control systems of the Company, which is designed to manage and minimize risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided. A whistle blowing policy (the "Whistle Blowing Policy") has been adopted in order to detect and identify improprieties and bring the issues to the attention of the management, the Audit Committee as well as the Board.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's risk management and internal control systems that have been put in place. The reviews covering financial, operational, and compliance controls and risk management performed in 2018 included:

- the delegated authorities and organization structure as well as the strategic and annual operating plan.
- the scope and quality of management's ongoing monitoring of risks and system of internal control and the effectiveness of the Company's procedures relating to statutory and regulatory compliance.
- the regular internal audit updates.
- the performance and adequacy of accounting and financial reporting functions.
- the risk management process including formal risk assessment at the enterprise level upon discussions with senior management responsible for day-to-day management of significant risks.

The internal audit function is essential to provide an independent and objective assurance to the Audit Committee and the Board in controlling the internal business environment. The Internal Auditor reports periodically to the Audit Committee and meets the Chairman of the Audit Committee regularly. The internal audit function maintain independent review continuously on key business aspects in accordance with the annual audit plan, and report the key findings to the Board through the Audit Committee.

The procedures and internal controls for handling and disseminating of inside information are governed by the Model Code, the Code for Securities Transactions by Relevant Employees, the Whistle Blowing Policy, the Policy on Market Disclosure, Investor and Media Relations with a view to ensure compliance with the Company's Articles of Association and the statutory and regulatory requirements that the Group is subject to.

In light of the above reviews and policies, the Board confirms that the Group's risk management and internal controls systems are effective and adequate.

## External Auditors

Deloitte Touche Tohmatsu, the external auditors of the Group, provided the following audit and non-audit services to the Group in 2018:

Nature of Services	Amount (US\$ million)
External Audit Services	2.4
Taxation Services	0.3
Other Services	—

The other services provided by Deloitte Touche Tohmatsu comprised professional services conducted under the terms of specified engagements.

The nature and ratio of annual fees to external auditors for audit services and non-audit services are subject to scrutiny by the Audit Committee to ensure the independence of the external auditors. All non-audit services from external auditors are regulated by a Policy on Non-Audit Services published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)).

The Audit Committee and the external auditors of the Group meet twice a year without the presence of the management of the Group to enhance independent reporting by external auditors of the Group. In order to maintain effective communication with shareholders, the external auditors attended the 2018 Annual General Meeting to answer questions about the accounting policies, the auditor independence, the conduct of the audit and the preparation and content of the auditors' report.

## Investor Relations and Shareholder Communications

The Company aims to maintain effective communication and on-going dialogue with its shareholders and investors particularly through the following major means:

### Shareholders' Communication Policy

The Board has adopted the Shareholders' Communication Policy on March 22, 2012, which primarily covers the current practices

for communicating with shareholders and is published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)). All the Company's circulars, announcements, notices and results of general meetings, annual and interim reports, and webcasts of results presentations conducted at press conferences, which are published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)), provide timely, efficient and accurate information to shareholders and investors. Essential information is communicated to the shareholders mainly through the Company's financial reports, general meetings and the information published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). In addition, the Company holds regular meetings with institutional shareholders and analysts and encourages shareholders to attend annual general meetings to communicate with Directors and management of the Company directly.

A Policy on Market Disclosure, Investor and Media Relations, published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)), ensures that the Company complies with its disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company.

### Shareholders' Rights

#### **Convening of extraordinary general meeting on requisition by shareholders**

Pursuant to Article 64 of the Articles of Association of the Company and sections 566-568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholders holding at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company (the "Requisitionists"), may request the Directors to convene an extraordinary general meeting ("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 Requisitionists and sent to the registered office of the Company which is currently located at 29/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM.

If the Directors do not, within 21 days after the date on which they become subject to the requirement, proceed duly to convene an EGM for a day not more than 28 days after the date of the notice convening the EGM, the Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an EGM. The EGM must be called for a date not more than three months after the date on which the Directors become subject to the requirement to call an EGM. Any reasonable expenses incurred by the Requisitionists by reason of the failure of the Directors duly to convene an EGM shall be repaid to the Requisitionists by the Company.

#### **Procedure for nominating a person for election as a Director**

For the detailed procedure for shareholders to nominate a person to stand for election as Director, please refer to the written procedure named "Nomination of Directors by Shareholder" which is published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)).

#### **Procedure for directing shareholders' enquiries to the Board**

The Company values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Shareholders may address their comments, suggestions and/or enquires to the Board in writing through Investor Relations and Communication (contact details are set out in the section headed "Corporate Information" of this annual report).

#### **Procedure for putting forward proposals at general meetings**

Pursuant to Section 615 of the Companies Ordinance, shareholders may submit a written requisition to circulate a resolution at an annual general meeting ("AGM") if they: (a) represent at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the AGM to which the request relates; or (b) are at least 50 shareholders having a right to vote on the resolution at the AGM to which the request relates.

The written requisition must: (a) identify the resolution of which notice is to be given; (b) be signed by the requisitionists; (c) be sent to the registered office of the Company for the attention of the Company Secretary; and (d) be received by the Company not later than six weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM. Shareholders are requested to refer to Section 580 and 615 of the Companies Ordinance for further details.

## Constitutional Document

No change has been made to the Company's constitutional document during 2018. The constitutional document of the Company was published on the Company's website (www.ttigroup.com) and the Stock Exchange's website (www.hkexnews.hk).

## Board, Board Committee and General Meetings in 2018

A summary of attendance of Board, Board Committee and general meetings in 2018 are detailed in the following table:

	Meetings attended/Held in 2018				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Number of meeting(s) held during the year	5	4	2	2	1
<b>Group Executive Directors</b>					
Mr Horst Julius Pudwill	5/5		2/2		1/1
Mr Stephan Horst Pudwill	5/5				1/1
Mr Joseph Galli Jr	5/5				1/1
Mr Kin Wah Chan	5/5				1/1
Mr Chi Chung Chan	5/5				1/1
<b>Non-executive Directors</b>					
Prof Roy Chi Ping Chung GBS BBS JP	5/5				1/1
Mr Camille Jojo	5/5			2/2	1/1
<b>Independent Non-executive Directors</b>					
Mr Christopher Patrick Langley OBE	5/5		2/2	2/2	1/1
Mr Manfred Kuhlmann	5/5	4/4	2/2	2/2	1/1
Mr Peter David Sullivan	5/5	4/4		2/2	1/1
Mr Vincent Ting Kau Cheung	5/5	4/4	2/2	2/2	1/1
Mr Johannes-Gerhard Hesse <sup>(1)</sup>	5/5	4/4			1/1
Date(s) of meeting(s)	16.1.2018	12.3.2018	12.3.2018	12.3.2018	18.5.2018
	13.3.2018	17.5.2018	14.8.2018	14.8.2018	
	17.5.2018	14.8.2018			
	15.8.2018	14.11.2018			
	14.11.2018				

Note:

(1) Mr Johannes-Gerhard Hesse was appointed as a member of the Nomination Committee with effect from March 6, 2019.