

# CORPORATE GOVERNANCE REPORT

The Board presents this Corporate Governance Report in the Company's annual report for the year ended 31 March 2018.

## CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Company recognizes the importance of maintaining good corporate governance practices. The Board sets policies and implements corporate governance practices appropriate to the conduct of the Group's business.

The Company has applied the principles as set out in the CG Code. In the opinion of the Board, the Company has complied with the code provisions (the "Code Provisions") set out in the CG Code during the year ended 31 March 2018, except for the deviation from Code Provision A.2.1. Key corporate governance principles and practices of the Company as well as details of the foregoing deviations of Code Provisions are summarized below.

## A. THE BOARD

### A.1 Responsibilities and Delegation

The Board is responsible for the management and control of the business and affairs of the Group, and oversees the Group's business strategic direction and performance, with the objectives of promoting the success of the Group and enhancing Shareholder value. Directors carry out their duties in good faith and in the interests of the Company and its Shareholders. They have access to relevant information as well as the advice and services of the Company Secretary and senior management. They are also able to seek independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Board reserves for its decision on all major policy, strategy, financial and risk management and control matters. The day-to-day management, administration and operations of the Group are delegated to the Executive Committee and senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board or Executive Committee prior to any significant transactions entered into by the senior management team.

### A.2 Board Composition

The Board currently comprises seven Directors, four are Executive Directors and three are Independent Non-executive Directors. The composition of the Board is set out in the "Corporate Information" section of this annual report. The respective profiles of the current Directors and the relationship among them are disclosed in the "Profile of Directors and Senior Management" section of this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications of the Company.

Throughout the year ended 31 March 2018, the Company has met the Listing Rules requirements of having three Independent Non-executive Directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise. In addition, the Company has received from each of the three Independent Non-executive Directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them are independent.



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The composition of the Board reflects the necessary balance of skills and experience appropriate to the requirements of the business of the Group and to the exercising of independent judgement. All Directors bring a wide range of valuable business and financial expertise, experiences and professionalism to the Board for its effective functioning. Independent Non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

### A.3 Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Currently, Tan Sri Dato' David CHIU assumes the roles of both the Chairman and Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

### A.4 Appointment, Re-Election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles.

Each Director, including the Independent Non-executive Directors, is engaged for a term of 3 years, subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Articles.

In accordance with clauses 106 and 107 of the Articles, Mr. Dennis CHIU (Executive Director) and Mr. Kwok Wai CHAN (Independent Non-executive Director) shall retire by rotation at the 2018 AGM. Both of the above retiring Directors, being eligible, will offer themselves for re-election at the 2018 AGM.

In accordance with the second part of clause 115(B) of the Articles, a Director appointed as an Executive Chairman or as Managing Director or Joint Managing Director shall not while holding such office be subject to retirement by rotation or taken into account in determining the rotation retirement of Directors. In order to uphold good corporate governance practices, Tan Sri Dato' David CHIU, the Chairman of the Company, voluntarily retires from his office and offers himself for re-election at the 2018 AGM notwithstanding that he is not required to do so by clause 115(B) of the Articles.

The Board recommended the re-appointment of the above three retiring Directors standing for re-election at the 2018 AGM. The Company's circular, sent together with this annual report, contains detailed information of the above three retiring Directors, as required by the Listing Rules.

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### A.5 Training and Continuing Development for Directors

Each newly appointed Director receives comprehensive introduction on the first occasion of his appointment so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their study and reference.

During the year ended 31 March 2018, the Company has provided (i) reading materials on regulatory updates to all its Directors, namely, Tan Sri Dato' David CHIU, Mr. Cheong Thard HOONG, Mr. Dennis CHIU, Mr. Craig Grenfell WILLIAMS, Mr. Chi Hing CHAN, Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM; and (ii) regular briefing to its Directors on corporate governance and updates on the Listing Rules. Besides, Mr. Cheong Thard HOONG, Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM attended other seminars and training sessions arranged by other professional firms/institutions.

### A.6 Board Meetings

#### A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. In addition to the above, notice of at least 14 days is given for each regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all Directors together with the notice in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Board papers together with appropriate information are usually sent to the Directors at least 3 days before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chief Financial Officer and Company Secretary and other relevant senior management normally attend regular Board meetings and, where necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board meetings. Draft minutes are normally circulated to Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial Shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.



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### A.6.2 Directors' Attendance Records

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2018 are set out below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Tan Sri Dato' David CHIU	3/5	N/A	2/3	1/1	1/1
Mr. Cheong Thard HOONG	5/5	N/A	N/A	N/A	1/1
Mr. Dennis CHIU	5/5	N/A	N/A	N/A	0/1
Mr. Craig Grenfell WILLIAMS	3/5	N/A	N/A	N/A	0/1
Mr. Chi Hing CHAN <sup>(i)</sup> (Resigned on 1 January 2018)	4/4	N/A	N/A	N/A	1/1
Mr. Kwok Wai CHAN	5/5	4/4	3/3	1/1	1/1
Mr. Peter Man Kong WONG	4/5	3/4	3/3	1/1	0/1
Mr. Kwong Siu LAM	5/5	4/4	N/A	1/1	1/1

Note:

- (i) Mr. Chi Hing CHAN resigned as a Non-executive Director with effect from 1 January 2018. Before his resignation, four Board meetings and an annual general meeting were held during the year ended 31 March 2018.

In addition, the Chairman of the Board also held a meeting with the Independent Non-executive Directors without the presence of Executive Directors during the Year.

### A.7 Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions in the Company. Following specific enquiry made by the Company, all the Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 March 2018.

The Company has also applied the principles of the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company and/or its securities. No incident of non-compliance of the principles of the Model Code by the Group's employees has been noted by the Company.

The Company has been notifying Directors and relevant employees, if any, of the prohibitions on dealings in the securities of the Company according to the Model Code, whenever black-out periods arise. In addition, the Company requires Directors and relevant employees to copy their notifications of intended dealings to the Company Secretary as well as one designated Director for receiving such notifications.

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### A.8 Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the Code Provision D.3.1 of the CG Code. During the Year under review, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices in response to the implementation of the CG Code, (ii) reviewed and monitored the training and continuous professional development of Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Model Code, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

## B. BOARD COMMITTEES

As at 31 March 2018, the Board has established 4 Board committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the Company's website (except for the written terms of reference of the Executive Committee). All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of the Board Committees follow in line with, so far as applicable, those of the Board meetings set out above.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

### B.1 Executive Committee

The Executive Committee comprises a total of 5 members, namely, Tan Sri Dato' David CHIU, Mr. Cheong Thard HOONG, Mr. Dennis CHIU, Mr. Craig Grenfell WILLIAMS and Mr. Ka Pong CHAN. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Company and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

### B.2 Audit Committee

The Audit Committee comprises a total of 3 members, being the 3 Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM. The chairman of the Audit Committee is Mr. Kwok Wai CHAN who possesses the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The primary duties of the Audit Committee include monitoring the Group's financial reporting system, reviewing financial statements, risk management and internal control procedures. It also acts as an important link between the Board and the Company's auditor in matters within the terms of reference of the Audit Committee.



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During the year ended 31 March 2018, the Audit Committee has performed the following major works:

- Review and discussion of the annual financial statements and annual results for the year ended 31 March 2017, the related accounting principles and practices adopted by the Company and the relevant audit findings;
- Review and discussion of the interim financial statements and interim results for the six months ended 30 September 2017 and the related accounting principles and practices adopted by the Company;
- Review and discussion of financial reporting and risk management and internal control of the Group;
- Discussion and recommendation of the re-appointment of external auditor; and
- Review of the arrangements for employees to raise concerns about possible improprieties.

The external auditor was invited to attend the meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of each Committee member at the Audit Committee meetings held during the year ended 31 March 2018 are set out in section A.6.2 above.

### B.3 Remuneration Committee

The Remuneration Committee comprises a total of 3 members, being 1 Executive Director, namely Tan Sri Dato' David CHIU, and 2 Independent Non-executive Directors, namely Mr. Kwok Wai CHAN and Mr. Peter Man Kong WONG. The chairman of the Remuneration Committee is Mr. Kwok Wai CHAN. Accordingly, the majority of the members are Independent Non-executive Directors.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the overall remuneration of the Directors and the senior management (i.e. the model described in the Code Provision B.1.2(c)(i) is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

During the year ended 31 March 2018, the Remuneration Committee has reviewed and determined the remuneration packages of the Executive Directors and senior management.

The attendance records of each Committee member at the Remuneration Committee meeting held during the year ended 31 March 2018 are set out in section A.6.2 above.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the senior management for the year ended 31 March 2018 falls within the band from HK\$1,000,000 to HK\$2,000,000.

Details of the remuneration of each of the Directors for the year ended 31 March 2018 are set out in note 14 to the consolidated financial statements.

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### B.4 Nomination Committee

The Nomination Committee comprises a total of 4 members, being 1 Executive Director, namely Tan Sri Dato' David CHIU, and 3 Independent Non-executive Directors, namely Mr. Kwok Wai CHAN, Mr. Peter Man Kong WONG and Mr. Kwong Siu LAM. The chairman of the Nomination Committee is Tan Sri Dato' David CHIU. Accordingly, the majority of the members are Independent Non-executive Directors.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to make relevant recommendations to the Board; to consider the retirement and re-election of the Directors and to make relevant recommendations to the Board; and to assess the independence of the Independent Non-executive Directors.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. To comply with the provision of A.5.6 of the CG Code, a Board diversity policy was adopted by the Company in 2013, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspective (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

During the year ended 31 March 2018, the Nomination Committee has performed the following major works:

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company;
- Recommendation of the re-appointment of those Directors standing for re-election at the 2017 annual general meeting of the Company; and
- Assessment of the independence of all the Independent Non-executive Directors.

The attendance records of each Committee member at the Nomination Committee meeting held during the year ended 31 March 2018 are set out in section A.6.2 above.

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**C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING**

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2018.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

**D. RISK MANAGEMENT AND INTERNAL CONTROL**

The Board, through its Audit Committee, has the responsibility to ensure that the Group maintains an effective risk management and internal control systems. The Board oversees the Group's design, implementation and monitoring of the risk management and internal control systems and acknowledges that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management framework is the responsibility of the Board and is overseen by the Audit Committee. The framework comprises the following elements:

**Risk management philosophy and risk appetite**

Everyone within the Group is responsible for the risk management of the Group. Risk management is embedded into the business operations and decision-makings. In pursuing the Group's objectives, the Group has defined the nature and extent of risks that the Group is willing to undertake.

**Risk governance structure**

The Group has established an enterprise risk management structure in line with the "Three Lines of Defense" model that defines the three layers of roles and responsibilities of oversight, risk monitoring and review, and risk and control ownership.





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The Group's business and functional units are the first line of defense and are responsible for the day-to-day risk management and control processes. The second line of defense is led by a designated risk management taskforce responsible for the design, implementation and monitoring of the risk management system, and provide confirmation to the Audit Committee on the effectiveness of risk management. The third line of defense comprises the Audit Committee and the Group' outsourced internal auditor who is responsible for the independent assessment of the effectiveness of our risk management and internal control systems. The external auditor of the Group further complements the third line of defense by independently auditing material internal controls over the Group's financial reporting processes. Both the outsourced internal auditor and the external auditor would report on material control weakness to the Audit Committee on a regular basis.

### Risk management process



The Group has established the risk management process that includes risk identification, risk assessment and prioritization, risk owner appointment, risk treatment and upward reporting and monitoring of identified risks to the Group and the Audit Committee. Management's input on risk exposures across the business lines was solicited through a structured risk identification questionnaire to form the Group's risk universe. Identified risks were further assessed and evaluated by a scale rating process by management across the business lines to evaluate their impact to the Group and likelihood of their occurrence as a result of changes in internal and external factors, future events or otherwise. The risks were then prioritized based on the evaluation results and further interviews with senior management for confirmation. The top risks of the Group, as well as whether these risks are being effectively managed; and if not, the need for establishing further actions, were reported through the risk management report. A corporate risk register has also been compiled to track and document the identified risks, risk owners, mitigating actions and control measures, and facilitates continuous update of risk treatments.



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The Group has completed an annual review on the effectiveness of the risk management and internal control systems during the year ended 31 March 2018 which include the identification and follow up on the significant risks, as well as the related controls designed to mitigate the risks and associated action plans. The Board, through the confirmation from management, considered the risk management and internal control systems effective and adequate with no significant areas of concern that may affect the Group being identified. The Group has also commenced the review for next fiscal year and will continue to build on the established risk management process further enhance its approach to manage risks.

### Handling and dissemination of inside information

The Company has developed its disclosure policy to provide the general guideline on handling confidential information, monitoring of information disclosure and response to queries to its directors, officers, senior management and the relevant employees. The Company has executed supervision programs to confirm the strict prohibition from unauthorized access to and use of inside information.

### Internal audit function

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of Shareholders and the Group's assets. With the help of an outsourced internal auditor, the senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

## E. COMPANY SECRETARY

During the year ended 31 March 2018, Mr. Ka Pong CHAN, the Company Secretary, has taken no less than 15 hours of relevant professional training.

## F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities for the Company's financial statements for the year ended 31 March 2018 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to Deloitte Touche Tohmatsu in respect of audit services and non-audit services for the year ended 31 March 2018 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable HK\$
Audit services – audit fee for the year ended 31 March 2018	10,131,000
Non-audit services	
– professional fee in connection with the review of interim account, the issue of notes and tax advisory services	2,357,000
<b>TOTAL:</b>	<b>12,488,000</b>

## G. COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables the Shareholders and investors to make the best investment decision.

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Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports, interim reports and other corporate communications. In addition, the Company maintains a website at [www.fecil.com.hk](http://www.fecil.com.hk), as a communication platform with the Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. The Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 16/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong  
(For the attention of Head of Corporate Finance and Investor Relations)

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

In addition, the Shareholders are encouraged to attend general meetings of the Company, which provide a valuable forum for dialogue and interaction with the management. The Board and Board Committee members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by the Shareholders.

### H. SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, the Shareholders may convene an extraordinary general meeting or put forward proposals at Shareholders' meetings pursuant to the Articles as follows:

- (i) Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may request the Board to convene an extraordinary general meeting by sending a written requisition to the Board at the Company's principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.
- (ii) If a Shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's registered office or principal place of business in Hong Kong. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. The Shareholders' information may be disclosed as required by law.

During the Year under review, the Company has not made any changes to its Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange. The Shareholders may refer to the Articles for further details of the rights of Shareholders.

All resolutions put forward at Shareholders' meetings will be voted by way of poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.fecil.com.hk](http://www.fecil.com.hk)) after each Shareholders' meeting.