

# CORPORATE GOVERNANCE REPORT

The board of directors (the “Directors”) of Jun Yang Financial Holdings Limited (the “Company”) is committed to maintaining a good corporate governance standard. The board of Directors (the “Board”) believes that a good corporate governance standard will provide a framework for the Company and its subsidiaries (the “Group”) to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders (the “Shareholders”) and creditors of the Company.

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 2016 (the “Year”).

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the Year.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises six members, three of which are executive Directors, namely Mr. Kwok Sze Yiu, Gordon (Chairman), Dr. Tang Sing Hing, Kenny (Vice Chairman) and Mr. Ng Tang (Chief Executive Officer). The other three members are independent non-executive Directors, namely Mr. Chan Chi Yuen, Mr. Chik Chi Man and Ms. Yiu Wai Yee, Catherine. The biographical details of the Directors are set out in “Profiles of Directors and Senior Management” on pages 15 to 17 of this annual report.

The Board held four regular meetings during the Year. The Board is responsible for the formulation of the Group’s business strategies and overall policies, and monitoring the performance of the management. The executive Directors are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent non-executive Directors provide their professional advices to the Group whenever necessary. The management, under the leadership of the Board, will be empowered to implement the Group’s strategies and business objectives.

Composition of the Board, including names of the independent non-executive Directors, is disclosed in all corporate communications to Shareholders.

All the Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover for the Directors.

# CORPORATE GOVERNANCE REPORT

The attendance of each Director at the Board meetings and general meetings of the Company during the Year are set out below:

Directors	Number of meetings attended/eligible to attend		
	Board	Annual General Meeting	Special General Meetings
<i>Executive Directors</i>			
Mr. Kwok Sze Yiu, Gordon ( <i>Chairman</i> )	4/4	1/1	2/2
Dr. Tang Sing Hing, Kenny ( <i>Vice Chairman</i> )	4/4	1/1	2/2
Mr. Ng Tang ( <i>Chief Executive Officer</i> ) (appointed on 1 February 2016)	4/4	1/1	1/1
Mr. Jiang You (resigned with effect from 1 February 2016)	0/0	0/0	1/1
Mr. Siu Kam Chau (resigned with effect from 1 February 2016)	0/0	0/0	1/1
Mr. Liu Guangdian (resigned with effect from 1 February 2016)	0/0	0/0	1/1
<i>Independent non-executive Directors</i>			
Mr. Chan Chi Yuen	4/4	1/1	2/2
Mr. Chik Chi Man	4/4	1/1	2/2
Ms. Yiu Wai Yee, Catherine (appointed on 16 December 2016)	1/1	0/0	0/0
Mr. Lam Wing Tai (resigned with effect from 16 December 2016)	3/3	1/1	2/2

# CORPORATE GOVERNANCE REPORT

## CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Year, the Directors participated in the following trainings:

Name of Director	Attend seminar(s)/reading written training materials, newspapers, and updates relating to the Listing Rules, general business or other relevant topics
<i>Executive Directors</i>	
Mr. Kwok Sze Yiu, Gordon	✓
Dr. Tang Sing Hing, Kenny	✓
Mr. Ng Tang (Note 1)	✓
Mr. Jiang You (Note 2)	✓
Mr. Siu Kam Chau (Note 2)	✓
Mr. Liu Guangdian (Note 2)	✓
<i>Independent non-executive Directors</i>	
Mr. Chan Chi Yuen	✓
Mr. Chik Chi Man	✓
Ms. Yiu Wai Yee, Catherine (Note 3)	✓
Mr. Lam Wing Tai (Note 4)	✓

Notes:

- (1) Mr. Ng Tang appointed as an executive Director with effect from 1 February 2016.
- (2) Mr. Jiang You, Mr. Siu Kam Chau and Mr. Liu Guangdian resigned as the executive Directors with effect from 1 February 2016.
- (3) Ms. Yiu Wai Yee, Catherine appointed as an independent non-executive Director with effect from 16 December 2016.
- (4) Mr. Lam Wing Tai resigned as an independent non-executive Director with effect from 16 December 2016.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Kwok Sze Yiu, Gordon is the Chairman of the Board and Mr. Ng Tang is the chief executive officer of the Company, they have segregated and clearly defined roles. The Chairman provides leadership for the Board. The chief executive officer of the Company has responsibility for the Group's business development and daily management generally.

# CORPORATE GOVERNANCE REPORT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to rule 3.10 of the Listing Rules, the Company has three independent non-executive Directors, one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual written confirmation of independence from each of the independent non-executive Directors pursuant to the independence guidelines set out in rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent.

During the Year, each of the independent non-executive Directors was appointed for a specific term of one year and is subject to retirement by rotation at least once every three years. A retiring Director is eligible for re-election at the annual general meetings of the Company.

## REMUNERATION COMMITTEE

The Board has established a remuneration committee (the "Remuneration Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages for the Directors and senior management of the Company to the Board for approval. The Company's remuneration policy is to provide a competitive level of remuneration in accordance with current market conditions to attract and motivate the Directors and staff for their contribution.

The Remuneration Committee comprises three independent non-executive Directors, namely Ms. Yiu Wai Yee, Catherine (the chairman of the Remuneration Committee), Mr. Chan Chi Yuen and Mr. Chik Chi Man.

The Remuneration Committee held one meeting during the Year. During the Year, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management of the Company and recommended specific remuneration packages of the Directors and senior management of the Company to the Board.

The attendance of each member of the Remuneration Committee at the meeting during the Year is set out below:

<b>Committee members</b>	<b>Number of meeting attended/eligible to attend</b>
Ms. Yiu Wai Yee, Catherine ( <i>Chairman</i> ) (appointed on 16 December 2016)	1/1
Mr. Chan Chi Yuen	1/1
Mr. Chik Chi Man	1/1
Mr. Lam Wing Tai (resigned with effect from 16 December 2016)	0/0

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Board has established a nomination committee (the "Nomination Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Nomination Committee are to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, to make recommendation on proposed changes to the Board, and to assess the independence of the independent non-executive Directors.

In August 2013, the Board adopted a board diversity policy (the "Board Diversity Policy") and the terms of reference of the Nomination Committee was updated. The Nomination Committee is responsible for reviewing and assessing the Board's composition. In reviewing the Board's composition, the Nomination Committee will consider a number of aspects of the Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee comprises three independent non-executive Directors, namely Mr. Chik Chi Man (the chairman of the Nomination Committee), Mr. Chan Chi Yuen and Ms. Yiu Wai Yee, Catherine.

The Nomination Committee held one meeting during the Year. During the Year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, recommended to the Board on relevant matters relating to the appointment of Directors and recommended to the Board on the re-election of all retiring Directors at the forthcoming annual general meeting of the Company.

The attendance of each member of the Nomination Committee at the meeting during the Year is set out below:

<b>Committee members</b>	<b>Number of meeting attended/eligible to attend</b>
Mr. Chik Chi Man ( <i>Chairman</i> )	1/1
Mr. Chan Chi Yuen	1/1
Ms. Yiu Wai Yee, Catherine (appointed on 16 December 2016)	0/0
Mr. Lam Wing Tai (resigned with effect from 16 December 2016)	1/1

## AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") with specific written terms of reference in accordance with the provisions set out in the CG Code. The principal duties of the Audit Committee is to consider the appointment and remuneration of the external auditors, to monitor the integrity of the Group's financial statements with focus on the changes in accounting policies and practices, major judgmental areas, significant audit adjustments, going concern assumptions, and compliance with accounting standards, the Listing Rules and other applicable legal requirements, and to review the Group's financial reporting system, risk management and internal control procedures.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Chi Yuen (the chairman of the Audit Committee), Mr. Chik Chi Man and Ms. Yiu Wai Yee, Catherine.

# CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the Year. During the Year, the Audit Committee reviewed the Group's audited financial statements for the year ended 31 December 2015 and the unaudited financial statements for the six months ended 30 June 2016 respectively, discussed audit scope and findings with the Company's independent auditors, and reviewed the Group's financial reporting system and internal control system. In the meeting of the Audit Committee of March 2017, the Audit Committee reviewed the Group's audited financial statements for the year ended 31 December 2016 prior to recommending them to the Board for approval and discussed the internal audit report and other supporting document for the review of risk management and internal control systems and the effectiveness of internal audit function.

The attendance of each member of the Audit Committee at the meetings during the Year is set out below:

<b>Committee members</b>	<b>Number of meetings attended/eligible to attend</b>
Mr. Chan Chi Yuen ( <i>Chairman</i> )	2/2
Mr. Chik Chi Man	2/2
Ms. Yiu Wai Yee, Catherine (appointed on 16 December 2016)	0/0
Mr. Lam Wing Tai (resigned with effect from 16 December 2016)	2/2

## CORPORATE GOVERNANCE FUNCTION

The Board is collectively responsible for performing the corporate governance duties with written terms of reference which include the applicable code provisions as set out in the CG Code. During the Year, the Board reviewed the training and continuous professional development of the Directors and senior management of the Company, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report and the policy on compliance with legal and regulatory requirements.

## AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's auditor, Deloitte Touche Tohmatsu, for their audit services and non-audit services for the Year are set out as follows:

	<b>Fees paid/ payable HK\$'000</b>
<b>Services rendered</b>	
Audit for the Year	1,180
<b>Non-audit services</b>	
Acting as reporting accountants to report on certain financial information included in the Company's circulars issued during the Year	–
Total	1,180

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the year ended 31 December 2016. The Directors have prepared the financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The auditor's responsibilities are set out in the Independent Auditor's Report on pages 41 to 42 of this annual report.

The consolidated financial statements for the year ended 31 December 2016 were audited by Deloitte Touche Tohmatsu who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu be re-appointed as the auditor of the Company at the forthcoming annual general meeting.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the overall responsibility for the risk management and internal control systems of the Group on an ongoing basis, and for reviewing its effectiveness. The Board is also responsible for establishing and maintaining appropriate and effective risk management and internal control systems with regard to the objectives of the Group. The established 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.

During the Year under review, the Board, through the Audit Committee, has conducted a review, via an appointed professional firm to perform internal audit function, on the effectiveness of the risk management and internal control systems of the Group, covering financial, operational, compliance and risk management aspects. The systems were considered effective and adequate.

The Group adopts a complete process style of risk management in a functional bottom up manner, including risk identification, assessment, evaluation and treatment. The functional areas across the Group provide input of risks with treatments, which are appraised and maintained. The risk management system, as well as the internal control system, are continuous, proactive and systematic processes.

With the implementation of internal audit function, the effectiveness of the risk management and internal control systems is reviewed by conducting internal audit assignments. Recommendations for major observations of control weaknesses from the audits will be provided, so as to resolve material internal control defects.

Inside Information Policy is in place, which aims to set out guidelines to ensure inside information of the Group is to be disseminated to the public in equal and timely manner.

# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website.

During the Year, separate resolutions were proposed at the general meetings of the Company for each substantial issue, including the re-election of Directors.

The chairman of the general meetings of the Company explained the procedures for conducting a poll at the beginning of each general meeting of the Company held during the Year. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

## COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary"), Mr. Siu Kam Chau, is a full time employee of the Group and has day-to-day knowledge of the Group's affairs. During the Year, the Company Secretary has taken no less than 15 hours of relevant professional training.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to convene a general meeting

1. The 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 shall at all times may by written requisition deposit at the Company's head office at Unit 503, 5/F, Wing On House, 71 Des Voeux Road Central, Hong Kong, for the attention to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.
2. The written requisition must state the purposes of the meeting, and must be signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.
3. The signatures and the requisition will be verified by the Company's branch share registrar. The Board will proceed to convene a special general meeting for the transaction of any business specified in the requisition within twenty-one days from the date of deposit of such requisition.
4. If the Board does not within twenty-one days from the date of the deposit of a valid requisition, proceed duly to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. In addition, such meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

# CORPORATE GOVERNANCE REPORT

## **Shareholders' enquiries**

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Tengis Limited.

Shareholders may send written enquiries to the Company, for the attention of the Board or the Company Secretary, by email: [contact@junyangfinancial.com](mailto:contact@junyangfinancial.com), fax: (852) 2270 6611, or mail to Unit 503, 5/F, Wing On House, 71 Des Voeux Road Central, Hong Kong. Shareholders may call the Company at (852) 2270 6600 for any assistance.

## **Procedures for Shareholders to put forward proposals**

1. The Shareholders holding not less than one-twentieth of the total voting rights of those Shareholders having the right to vote at such meeting or not less than one hundred Shareholders, at the expenses of the Shareholders concerned, can submit a written requisition to move a resolution at a general meeting.
2. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned and may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).
3. The written requisition must be deposited at Unit 503, 5/F, Wing On House, 71 Des Voeux Road Central, Hong Kong, the head office of the Company, for the attention of the Board or the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.
4. The signatures and the requisition will be verified by the Company's branch share registrar. Upon verification that the request is valid, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the annual general meeting; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the Shareholders, provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.