

# Corporate Governance Report

To enhance shareholders' interests and promote sustainable development, the Company is committed to maintain a high standard of corporate governance. The Company emphasizes a quality board of directors (the "Board") for leadership and effective internal controls, transparency and accountability to all shareholders. The codes and practices of corporate governance and the disclosure of this Corporate Governance Report are reviewed 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 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, 2013, save that:

1. 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 103 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.
2. Mr Christopher Patrick Langley OBE (an Independent Non-executive Director) and Mr Joel Arthur Schleicher (an Independent Non-executive Director) were unable to attend the annual general meeting of the Company held on May 24, 2013 due to prior engagements.
3. the Board is provided with quarterly updates instead of monthly updates. The Board agreed that quarterly updates give a balanced and understandable assessment of the performance, position and prospects of the Company in supporting the Directors to discharge their responsibilities.

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

## Corporate Governance Policy

The Board develops and reviews 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 Board performed the corporate governance function by, but not limited to, the following:

- review the compliance of the Corporate Governance Code and the disclosure set out in this Corporate Governance Report.
- review and monitor the training and continuous professional development of directors and senior management.
- review and monitor the 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.

## Board of Directors

### Roles and Responsibilities

The Board is responsible for leading, directing and supervising the Group affairs collectively with an effective corporate governance framework for the long term success of the Company. Principal responsibilities of the Board including, but are not limited to, the following:

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

Written procedures have been formally adopted and reviewed regularly in order to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters.

## Board Composition

As at the date of this report, the Board consists of five Group Executive Directors, one Non-executive Director 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 (“ED”)

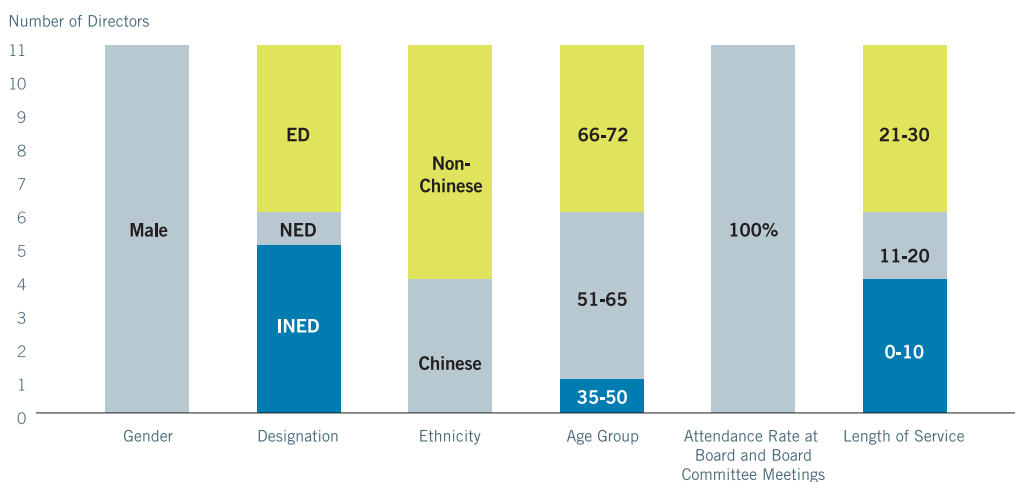
Mr Horst Julius Pudwill (Chairman)  
 Mr Joseph Galli Jr (Chief Executive Officer)  
 Mr Kin Wah Chan (Operations Director)  
 Mr Chi Chung Chan (Group Chief Financial Officer)  
 Mr Stephan Horst Pudwill (President of Strategic Planning)

### Non-executive Director (“NED”)

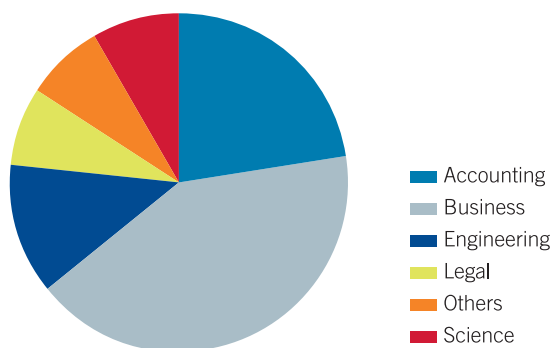
Prof Roy Chi Ping Chung BBS JP

### Independent Non-executive Directors (“INED”)

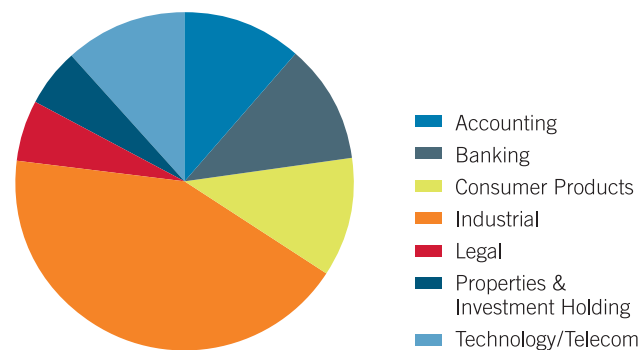
Mr Joel Arthur Schleicher  
 Mr Christopher Patrick Langley OBE  
 Mr Manfred Kuhlmann  
 Mr Peter David Sullivan  
 Mr Vincent Ting Kau Cheung



## Educational Background



## Professional Experience



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)). Their biographical details and relevant relationships are set out on pages 36 to 39 of this annual report.

## Corporate Governance Report

To promote balance of power and authority, 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:

- lead the Board to ensure it works effectively and acts in the best interests of the Company.
- ensure good corporate governance practices and procedures are established.
- ensure all Directors are properly briefed on issues arising at Board meetings and receive accurate, timely and reliable information.
- encourage all Directors to make full and active contributions to the Board's affairs.
- ensure appropriate steps are taken to provide effective communication with shareholders and that 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:

- enhance the global sales potential of our strong brand portfolio.
- provide leadership for the global management team in the Group's daily operations.
- facilitate the integrating acquisitions in North America and Europe.

Before accepting appointment as a director, every Director is aware that he must be able to contribute sufficient time and attention to the affairs of the Company. Orientation which details the duties and responsibilities of directors under the Listing Rules, the Company's Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong is provided for every newly appointed director. Presentations are given by senior executives of the Company and external professionals to ensure a proper understanding of the Company's business and operations.

Appropriate Directors' and Officers' liability insurance cover has been arranged 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.

In accordance with the Company's Articles of Association and the Listing Rules, directors are subject to retirement by rotation at least once every three years. Any Directors appointed to fill a casual vacancy would be subject to election by shareholders at the next annual general meeting after their appointment. As at the date of this report, Independent Non-executive Directors and Non-executive Director form majority of the Board, and the Independent Non-executive Directors represent over one-third of the Board. Furthermore, each 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 the 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.

## Directors' Continuous Professional Development

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

All Directors participated 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, training received by all Directors in 2013 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 Joseph Galli Jr	√	√	
Mr Kin Wah Chan	√	√	√
Mr Chi Chung Chan	√	√	√
Mr Stephan Horst Pudwill	√	√	
<b>Non-executive Director</b>			
Prof Roy Chi Ping Chung BBS JP	√	√	√
<b>Independent Non-executive Directors</b>			
Mr Joel Arthur Schleicher	√	√	
Mr Christopher Patrick Langley OBE	√	√	
Mr Manfred Kuhlmann	√	√	
Mr Peter David Sullivan	√	√	
Mr Vincent Ting Kau Cheung	√	√	√

## Compliance with the Codes for Securities Transactions

The Board has adopted 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"). Specific enquiries have been made with all Directors who have confirmed that they have fully complied with the required standards as set out in the Model Code during the year ended December 31, 2013.

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") has also been adopted. No incident of non-compliance was noted by the Company during the year.

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

To facilitate the effectiveness of the Board, there are at least four scheduled Board meetings in a year and will meet more frequently as and when required. All Directors are provided with timely, complete and reliable information on the affairs of the Group, and have access to all related materials in relation to the Board's issues to enable informed decisions with sufficient details. Directors receive support from and access to the Company Secretary of the Company (the "Company Secretary") to ensure Board procedures and all applicable law, rules and regulations are followed. Each Director can access to senior management of the Group on their requests and to independent professional advice on performing their duties at the Company's expenses. All Directors receive briefings and professional development training as necessary to ensure a proper understanding of the business of the Group and their responsibilities under statute and at common law.

Six Board meetings were held in 2013. Attendance records of each Director are set out in the section "Board, Board Committee and General Meetings in 2013" at the end of this report. 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 kept in safe custody by the Company Secretary, are sent to the Directors for comment and records and are open for inspection by the Directors. To facilitate maximum attendance of Directors, Board meeting, Board Committee meeting and Annual General Meeting dates for 2014 have been agreed at the Board meeting held in August 2013.

## Board Committees

The Board has delegated various responsibilities to three Board committees which have been set up, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. 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 the majority of all Board Committees with regular attendance and active participation to ensure independent views and opinions 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. Attendance records of each Board Committee are set out in the section "Board, Board Committee and General Meetings in 2013".

## Audit Committee

The Audit Committee is chaired by Mr Peter David Sullivan with other members being Mr Joel Arthur Schleicher and Mr Manfred Kuhlmann. All members of the Audit Committee are Independent Non-executive Directors and each of them has 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 the effectiveness of internal control system and compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations and to oversee the integrity of the financial statements of the Company. The Audit Committee is also directly responsible on behalf of the Board for the assessment of the independence and qualifications of the external auditors; the selection, oversight and remuneration of the Company's external auditors; the maintenance of an appropriate relationship with the external auditors and the oversight of the performance of the Company's external auditors.

The Audit Committee held four meetings in 2013 and performed duties summarized below:

- review the Group's accounting principles and practices, significant financial matters, internal controls and financial reporting matters.
- recommend the re-appointment of the external auditors and review the audit and non-audit services provided by the external auditors.
- review the interim and annual financial statements of the Group before submission to the Board.
- perform regular update and review on internal audit of the Group.

## Nomination Committee

The Nomination Committee is chaired by Mr Horst Julius Pudwill (Chairman of the Board) with other members being Mr Vincent Ting Kau Cheung, Mr Christopher Patrick Langley OBE and Mr Manfred Kuhlmann. 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. The Nomination Committee would consider, but not limited to, professional knowledge, industry experience, personal skills, ethics and integrity 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 2013. The work performed by the Nomination Committee in 2013, with sufficient resources provided by the Company and/or independent professional advice if necessary, included:

- review of the structure, size and composition of the Board and the existing Nomination Policy on a regular basis.
- review and make recommendations to the Board on the Board Diversity Policy.
- assess the independence of Independent Non-executive Directors.
- make recommendations to the Board on relevant matters relating to the retirement and re-election of the Directors at the 2013 Annual General Meeting.

The Board adopted the Board Diversity Policy with recommendation from the Nomination Committee in August 2013, which is published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)). The Company recognizes that widening diversity at the Board level is essential for sustainable development of the Group. While reviewing the composition of the Board, the Nomination Committee would consider various perspectives, including, but not limited to, age, gender, cultural and educational background, professional experience and length of service. An analysis of the current Board composition based on these objective criteria is set out on page 47 of this report.

## Remuneration Committee

The Remuneration Committee is chaired by Mr Vincent Ting Kau Cheung with the other members being Mr Christopher Patrick Langley OBE, Mr Manfred Kuhlmann, Mr Joel Arthur Schleicher and Mr Peter David Sullivan. All members of the Remuneration Committee are Independent Non-executive Directors.

The Remuneration Committee aims to assist the Board in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group as well as the remuneration of Directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications, and competence, and having regard to the Company's operating results, individual performance, and comparable market statistics. The Remuneration Committee makes recommendations to the Board on the remuneration packages of Executive Directors and senior management, including, without limitation, base salaries, bonuses, benefits in kind and compensation payments. The Remuneration Committee also makes recommendations to the Board on the remuneration of Non-executive Director and Independent Non-executive Directors. The Remuneration Committee reports directly to the Board on its decisions or recommendations, and consults the Chairman and/or Chief Executive Officer for the proposals of other Executive Directors' remuneration packages with access to sufficient resources and professional advices if necessary.

The Remuneration Committee held two meetings in 2013 and performed, among other things, the following:

- review and make recommendations on the existing remuneration policy for directors and senior management.
- assess the performance and remuneration package of Executive Directors.

## Company Secretary

All Directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications 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. During 2013, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

## 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.

## Internal Controls

The Board aims to maintain a sound and effective internal control system and is responsible for approving and reviewing key internal control policies which include delegated authorities, policy on market disclosure, investor and media relations, non-audit services and treasury management policy. The Board conducts an annual review of the effectiveness of the internal control system of the Company. An internal control system is designed to provide reasonable, but not absolute assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operational systems.

The Board, and in particular the Audit Committee, conducts a continuous review of the effectiveness of the Group's internal control system that has been put in place. The reviews covering financial, operational, compliance controls and risk management performed in 2013 included:

- the strategic and annual operating plan.
- the effectiveness of the Company's procedures relating to statutory and regulatory compliance.
- the organization structure and delegated authorities.
- 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 performance and adequacy of accounting and financial reporting functions.
- the scope and quality of management's ongoing monitoring of risks and system of internal control.

## External Auditors

Deloitte Touche Tohmatsu, the external auditors of the Group, provided the following audit and non-audit services to the Group in 2013:

Nature of Services	Amount (USD million)
External Audit Services	2.6
Taxation Services	0.1
Other Services	0.1

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 members of the Audit Committee and the external auditors of the Group meet without the presence of the management of the Group twice a year to enhance independent reporting by external auditors of the Group. In order to maintain effective communication with shareholders, the external auditors attended the 2013 Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

## 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 Shareholders' Communication Policy, which primarily covered the current practices for communicating with the shareholders and published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)), has been adopted by the Board on March 22, 2012. 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 published on the Company's website ([www.ttigroup.com](http://www.ttigroup.com)), provide timely, efficient and accurate information to the 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 66 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 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, 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 3 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 a director, please refer to the written procedure named "Nomination of Directors by Shareholder" which was 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 "Corporate Information" of this annual report.

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

Pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), 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 6 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 (Chapter 622 of the laws of Hong Kong) for further details.

### **Constitutional Document**

No change has been made to the Company's constitutional document during 2013. The constitutional document of the Company was 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)).



## Board, Board Committee and General Meetings in 2013

A summary of attendance of Board, Board Committee and general meetings in 2013 are detailed in the following table:

	Meetings attended/Held in 2013				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Number of meeting(s) held during the year	6	4	2	2	1
<b>Group Executive Directors</b>					
Mr Horst Julius Pudwill	6/6		2/2		1/1
Mr Joseph Galli Jr	6/6				1/1
Mr Kin Wah Chan	6/6				1/1
Mr Chi Chung Chan	6/6				1/1
Mr Stephan Horst Pudwill	6/6				1/1
<b>Non-executive Director</b>					
Prof Roy Chi Ping Chung BBS JP	6/6				1/1
<b>Independent Non-executive Directors</b>					
Mr Joel Arthur Schleicher	6/6	4/4		2/2	0/1 <sup>(1)</sup>
Mr Christopher Patrick Langley OBE	6/6		2/2	2/2	0/1 <sup>(2)</sup>
Mr Manfred Kuhlmann	6/6	4/4	2/2	2/2	1/1
Mr Peter David Sullivan	6/6	4/4		2/2	1/1
Mr Vincent Ting Kau Cheung	6/6		2/2	2/2	1/1
Date(s) of meeting(s)	January 25, 2013 March 21, 2013 May 23, 2013 August 21, 2013 November 19, 2013 December 30, 2013	January 25, 2013 March 19, 2013 May 23, 2013 August 20, 2013	March 20, 2013 August 20, 2013	March 20, 2013 May 24, 2013	May 24, 2013

Notes:

- (1) Mr Joel Arthur Schleicher (an Independent Non-executive Director) was unable to attend the annual general meeting of the Company held on May 24, 2013 (the "2013 Annual General Meeting") due to prior engagements.
- (2) Mr Christopher Patrick Langley OBE (an Independent Non-executive Director) was unable to attend the 2013 Annual General Meeting due to prior engagements.