

Corporate Governance Report

Introduction

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve our image with effective corporate governance procedures.

The Company has complied with the code provisions in the CG Code throughout the year ended 31 December 2021, save and except for code provision E.1.2 (code provision F.2.2 of new CG Code revised on 1 January 2022). Under this code provision, the chairman of the board should attend the annual general meeting (“AGM”). Mr. Wang Yan, the Chairman of the Board was unable to attend the AGM of the Company held on 24 June 2021 due to other business commitments. In absence of the Chairman, Mr. Fan Ren-Da, Anthony, an independent non-executive director of the Company, acted as the Chairman of the AGM. The Board will finalise and inform the date of the AGM as earliest as possible to make sure that the directors would attend the AGM of the Company in the future. Save as disclosed above, there has been no other deviation from the code provisions of the CG Code by the Company for the year ended 31 December 2021.

Compliance With The Model Code For Securities Transactions By Directors

The Company has adopted the Model Code as its own code for Directors’ securities transactions. Upon specific enquiry made by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

Directors’ Training

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being as a director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interests and business of the Group. Such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors.

During the year, the Company continuously updated the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors were encouraged to participate in continuous professional development by attending seminars/in-house briefing/reading materials on different topics to develop and refresh their knowledge and skills.

The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group’s business, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees since 25 August 2008 and has delegated various responsibilities to the Board committees including the audit committee (the “Audit Committee”), the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”). All the Board committees perform their distinct roles in accordance with their respective terms of reference. Further details of the Board committees are set out hereunder.

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The Board *(Continued)*

Most of the non-executive Directors and independent non-executive Directors are appointed for a term of one year, which are subject to retirement in accordance with the Articles. According to the Articles, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Newly appointed Directors shall hold office until the next general meeting but be subject to re-election.

The Company has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Composition

The Board currently consists of 9 Directors as follows:

Executive Directors

Wang Yan (Chairman)
Dai Bin (Chief Executive Officer)
Qin Xiang (Chief Operating Officer)

Non-executive Directors

Yin Jianhong
Liu Lizhen

Independent Non-executive Directors

Fan Ren-Da, Anthony
Wang Yifu
Leung Chung Ki
Tang Hon Man

All Directors have appropriate professional qualification or substantive experience and industry knowledge. The Board as a whole has achieved an appropriate balance of skills and experience. The Directors' biographies are set out under the section headed "Directors and Senior Management Profile" of this Annual Report and there is no relationship among members of the Board.

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Chairman and Chief Executive Officer (“CEO”)

The CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group.

Mr. Wang Yan is the Chairman of the Company and is responsible for formulating the overall development strategies and business plan of the Group and is instrumental to the Company’s growth and business expansion since its establishment. Mr. Dai Bin is the Chief Executive Officer of the Company and is responsible for operation and management of the Group.

During the year ended 31 December 2021, the Company held five Board meetings, an AGM and an extraordinary general meeting (“EGM”) and attendance of each Director at the Board meetings and general meetings is set out below:

Name of Director	No. of Board meetings held during the Director’s term of office in the relevant period	No. of Board meetings attended	Attendance rate of Board meetings	No. of general meetings attended/ No. of general meetings held during the Director’s term of office in the relevant period
Executive Directors				
Wang Yan	5	5	100%	0/2
Dai Bin	5	5	100%	0/2
Qin Xiang	5	2	40%	0/2
Non-executive Directors				
Yin Jianhong	5	4	80%	0/2
Liu Lizhen (<i>Note 1</i>)	0	N/A	N/A	0/0
Fung Yat, Carol (<i>Note 2</i>)	2	0	0%	0/0
Independent Non-executive Directors				
Fan Ren-Da, Anthony	5	5	100%	2/2
Wang Yifu	5	5	100%	0/2
Leung Chung Ki	5	5	100%	0/2
Tang Hon Man	5	5	100%	0/2

Notes:

1. Was appointed on 6 December 2021.
2. Was appointed on 25 June 2021 and resigned on 6 December 2021.

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Nomination Committee

The Company established the Nomination Committee on 25 August 2008 with written terms of reference in compliance with the Listing Rules and the CG Code. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and diversity of the Board, assessing the independence of independent non-executive Directors and providing recommendations to the Board on matters relating to the appointment of Directors. The Nomination Committee consists of Mr. Wang Yan, an executive Director, Mr. Tang Hon Man and Mr. Wang Yifu who are independent non-executive Directors, and is chaired by Mr. Tang Hon Man.

Below is the summary of the Board Diversity Policy:

The Company believes that having a diverse Board can enhance the quality of its performance. In this regard, the Company has developed a diversity policy for the Board, in terms of skills, experience, knowledge, expertise, culture, ethnicity, length of service, independence, age and gender. In addition, the Nomination Committee will hold discussions towards achieving the goal of Board diversification and provide recommendations to the Board for adoption.

The Company has also adopted the nomination policy (the “Nomination Policy”) as set out below to ensure the composition of the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business.

Under the Nomination Policy, upon obtaining the required information from the candidate, the Nomination Committee shall convene a meeting to discuss and consider the recommendation of the candidate to the Board for appointment as a director by taking into account the criteria as set out below. The Board shall convene a meeting to make a final decision on the proposed appointment.

The criteria for assessing the suitability of a candidate shall include but not limit to his or her: (i) character and integrity; (ii) gender, age, professional experience, cultural and educational background, skills and knowledge under the diversity policy of the Board; (iii) potential contributions the candidate can bring to the Board and the commitment of time to be devoted to the Board; (iv) potential conflicts of interests arise; and (v) not being prohibited by law from being a director.

In case the candidate is proposed to be appointed as an independent non-executive director of the Company, his or her independence shall also be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate’s education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

During the year ended 31 December 2021, the Nomination Committee held two meetings and the attendance is listed below:

Name of Nomination Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Tang Hon Man (Chairman)	2	2	100%
Wang Yan	2	2	100%
Wang Yifu	2	2	100%

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Remuneration Committee

The Company established the Remuneration Committee on 25 August 2008 with written terms of reference in compliance with the Listing Rules and the CG Code. The primary duties of the Remuneration Committee include providing recommendations to the Board on the Company's structure and policy for remuneration of Directors and senior management of the Company, determining the remuneration packages of individual executive Director and senior management of the Company, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under share option scheme (if any). The Remuneration Committee of the Company consists of Mr. Wang Yan, an executive Director, Mr. Tang Hon Man and Mr. Wang Yifu who are independent non-executive Directors, and is chaired by Mr. Tang Hon Man.

During the year ended 31 December 2021, the Remuneration Committee held four meetings and the attendance is listed below:

Name of Remuneration Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Tang Hon Man (Chairman)	4	4	100%
Wang Yan	4	3	75%
Wang Yifu	4	4	100%

Emolument Policy

The emolument policy of the employees of the Group is set up by the executive Directors on the basis of their merit, qualifications and competence.

The emolument of the Directors is determined by the Board after recommendation from the Remuneration Committee, having regard to the responsibilities of the Directors, the Company's operating results, individual performance and comparable market statistics.

Details of Directors' emolument during the year ended 31 December 2021 are set out in note 7 to the consolidated financial statements.

Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

- (a) to develop, review and implement the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors;

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Corporate Governance Function *(Continued)*

- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- (f) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

During the year ended 31 December 2021, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the CG Code.

Audit Committee

The Company established the Audit Committee on 25 August 2008 with written terms of reference in compliance with the Listing Rules and the CG Code. The primary duty of the Audit Committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee of the Company consists of Mr. Yin Jianhong, a non-executive Director, Mr. Fan Ren-Da, Anthony and Mr. Wang Yifu who are independent non-executive Directors, and is chaired by Mr. Fan Ren-Da, Anthony. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

During the year ended 31 December 2021, there were two meetings held by the Audit Committee which the members of the Audit Committee discussed with KPMG about the arrangements of the Company's annual audit work and reviewed the annual results and interim results of the Group, as well as the relevant financial statements and reports and significant financial reporting judgments contained therein, as well as the internal control system and the Group's financial and accounting policies and practices. The attendance of the members at the Audit Committee meetings is presented hereinafter:

Name of Audit Committee Member	No. of meetings held during the year	No. of meetings attended	Attendance rate
Fan Ren-Da, Anthony (Chairman)	2	2	100%
Wang Yifu	2	2	100%
Yin Jianhong	2	2	100%

Auditors' Remuneration

During the year ended 31 December 2021, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are RMB6,000,000 and RMB3,180,000 respectively. The non-audit services mainly included the independent review of the interim results of the Group for the six months ended 30 June 2021 and special project.

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Accountability and Audit

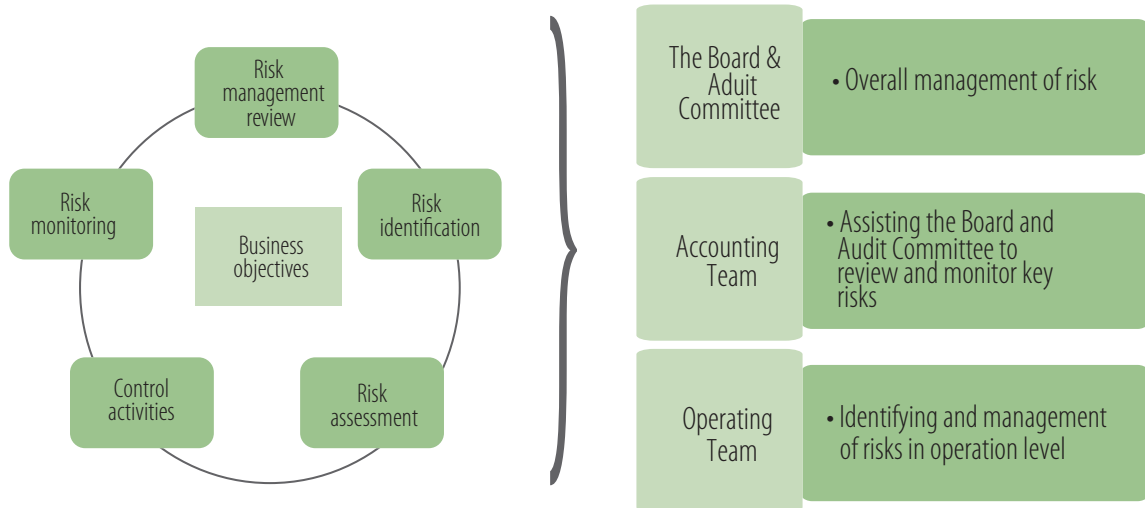
The Directors acknowledged their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The Directors considered that the financial statements have been prepared in conformity with all appropriate accounting standards and requirements and reflected the amounts that were based on the best estimates and reasonable, informed and prudent judgment of the Board and the management of the Company with an appropriate enquiries, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

Risk Management and Internal Control

The Group established and maintained appropriate and effective risk management and internal control systems during the year ended 31 December 2021. While the management of the Group is responsible for implementing and maintaining sound risk management and internal control system that safeguard the Group's assets and stakeholders' interest in aspects including operation, financial and compliance. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk management process

The Group has established risk management manual to formulate the risk management process and the management of the Company is committed to fostering a risk aware and control conscious environment. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. The structure and procedures for the risk management are as follows:



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Risk Management and Internal Control *(Continued)*

Risk management process *(Continued)*

Risk identification: Both internal and external factors including economic, political, social, technology and environmental factors, laws and regulations, business objectives and stakeholders' expectation would be considered

Risk assessment: The risk identified would be assessed and rated based on the likelihood and impact to the achievement of the Group's objectives

Control activities: The internal control procedures have been designed and implemented to mitigate the risks

Risk monitoring: Risk register has been maintained and updated regularly to monitor risks on an ongoing basis

Risk management review: The Board and the Audit Committee would perform review on any change of significant risks of the Group

Internal audit function

During the year ended 31 December 2021, a review of the effectiveness of the Group's risk management and internal control system which covers the aspects of the effectiveness of the Company's risk management and internal control system and management procedure, was conducted by our internal control department. Such review is conducted on an annual basis. The Board considered the risk management and internal control system of the Company to be effective and adequate.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. 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.

Company Secretary

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on governance matters. For the year ended 31 December 2021, the Company Secretary has taken no less than 15 hours of relevant professional training.

Investor Relations, Communications with Shareholders and Shareholders' Rights

Objective

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company is committed to establish strategic communication channels to ensure the access of reliable corporate information by the shareholders, financial communities as well as the public.

Communications with Shareholders

The Directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGM and EGM which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and (iii) the upkeeping of the latest information of the Company's website at <http://www.diligrp.com>. Shareholders and investors are welcome to visit our website.

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Investor Relations, Communications with Shareholders and Shareholders' Rights

(Continued)

Shareholders' Rights

- (i) *Procedures by which Shareholders can convene an EGM and procedures for putting forward proposals at the general meetings*
Any one or more 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 have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.
- (ii) *Shareholders' enquiries*
Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders may also make enquiries in writing to the principal place of business of the Company in Hong Kong.

Information Disclosure

Currently, the Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public, to make rational decisions that should result in the Company's securities trading at fair value over the long term.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Mailing Address: Room 4205-10, 42/F, China Resources Building,
26 Harbour Road, Wanchai, Hong Kong

Email: ir@dili.com.hk

Changes in Constitutional Documents

During the year ended 31 December 2021, the Company did not make any significant changes to its constitutional documents.