



The Group is committed to conducting its businesses according to the best corporate governance practices. We believe that strong corporate governance is essential for delivering sustainable returns to shareholders, fostering a culture of business integrity and safeguarding stakeholder confidence. A range of sound policies, procedures and rules are followed by all Board members and staff. The Group endeavours to achieve sustainable business success by taking into account the interests of all our stakeholders and the long term development goals of its businesses.

The Company's efforts and achievements in this regard were recognised by the Hong Kong Institute of Certified Public Accountants, who honoured the Company's 2013 Annual Report with the Gold Award (Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category) in the 2014 Best Corporate Governance Disclosure Awards.



## CORPORATE GOVERNANCE FRAMEWORK

The Group's Corporate Governance Framework (the "Framework") is built on the sound corporate governance principles of accountability, transparency, honesty and integrity. It is a performance-oriented benchmark against which the Board and senior management can conduct and evaluate the Group's businesses according to planned strategic goals. The Framework is constantly reviewed by the Company to cater for changes in regulatory requirements, environmental and local community needs, evolving social expectations and international developments. The sound management policies and practices derived from the Framework are observed at all levels throughout the Group's businesses.

Our corporate governance objectives are achieved primarily through implementation of the following measures:

- Diverse and optimal board composition, efficient management reporting systems and a professional management team are in place to ensure that the Directors and management are able to make informed decisions in the best interests of our stakeholders;
- Effective internal audit and control systems are established to provide safeguards against risks, to protect the Group's assets, and to ensure that its policies and management practices are executed as planned with any irregularities, deviations, material misstatements and instances of malpractice rapidly identified and corrected in a timely manner; and
- Transparent and effective communication channels are in place to ensure that the Group's affairs are communicated to shareholders, customers and other stakeholders promptly.

## CORPORATE GOVERNANCE CODE COMPLIANCE

The Company closely adheres to the corporate governance principles contained in the Corporate Governance Code

of the Listing Rules ("CG Code"). The CG Code sets out the principles of good corporate governance with two levels of recommendations: (a) the "Code Provisions", with which issuers are expected to comply or to give considered reasons for any deviation therefrom; and (b) the "Recommended Best Practices", which, although for guidance only, issuers are encouraged to comply with or give considered reasons for non-compliance.

In respect of the Code Provisions, the Company complied with all applicable Code Provisions throughout the year ended 31 December 2014, except that one of the Non-executive Directors of the Company, Mr Raymond KWOK Ping Luen, was unable to attend the Annual General Meeting of the Company held on 22 May 2014 as provided for in code provision A.6.7 due to another engagement. The Company meets or exceeds the Code Provisions in all major areas and closely follows the Recommended Best Practices set out in the CG Code, including the following:

- Our internal controls and risk management policies and procedures are designed with reference to the framework promulgated by the Committee of Sponsoring Organisations of the Treadway Commission and the relevant ISO Standards.
- A whistleblowing policy with a well-structured reporting system is in place to enable employees, business partners, suppliers and any third party to raise concerns, in confidence, to the Audit Committee about any suspected misconduct, malpractice or irregularity relating to the Company. The policy is accessible on the Company's website.

# CORPORATE GOVERNANCE REPORT

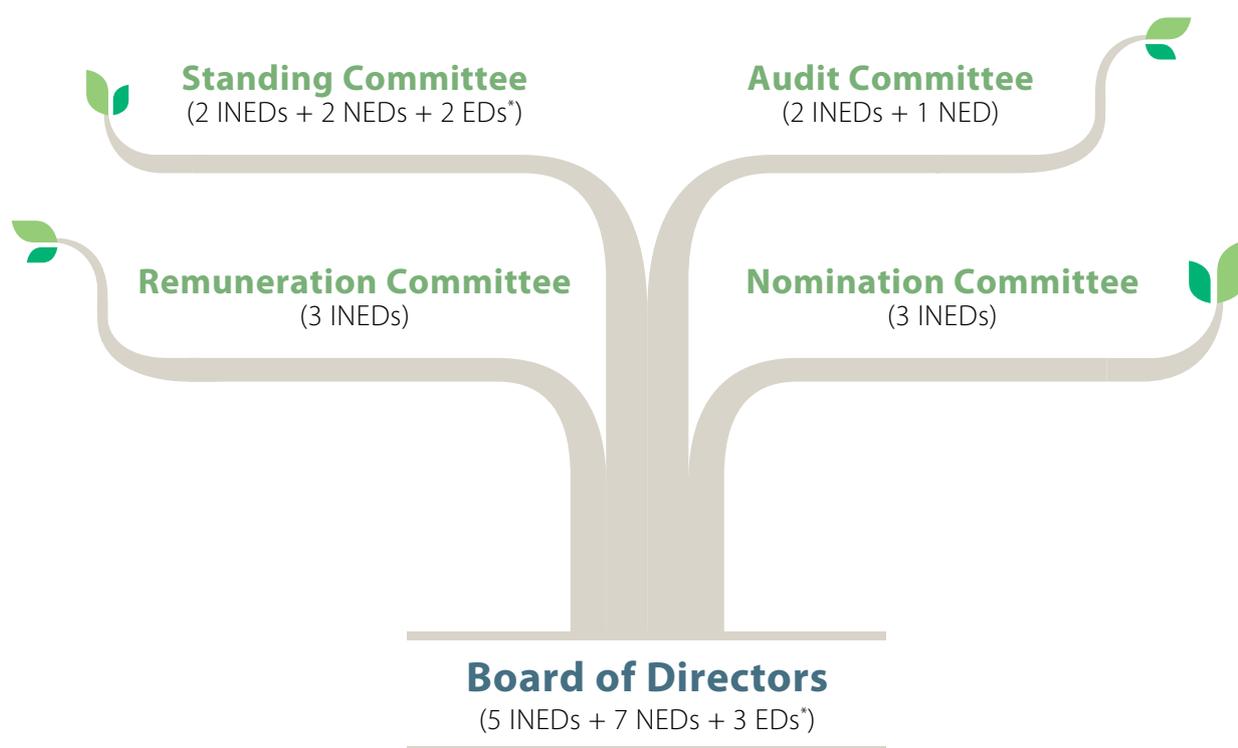
## THE BOARD OF DIRECTORS

### Board Composition

The Board is structured with a view to ensuring that there is a balance of high calibre executive and non-executive directors with essential skills, knowledge, experience and diversity of perspectives appropriate to the Group's businesses. Currently, the Board comprises 15 members of which five are Independent Non-executive Directors, seven are Non-executive Directors and three are Executive Directors (including the Managing Director and the Deputy Managing Director). Day-to-day management of the Group's business is delegated to the senior management under the supervision of four designated Board Committees: the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board of Directors and the Board Committees are all chaired by Independent Non-executive Directors. The compositions of the Board and Board Committees are summarised as follows:

The Non-executive Directors closely scrutinise the management's performance in achieving agreed corporate goals and objectives and monitor performance reporting. They are not involved in the day-to-day management of the Group's businesses but serve as the custodians of the governance process. They contribute by attending Board meetings at which they bring in independent views on various matters relating to the Group's strategy, policy, performance, accountability, resources, key appointments and standards of conduct.

Independent Non-executive Directors promote critical review and control of the management process and help ensure that the interests of the shareholders as a whole are taken into account by the Board and that connected transactions and other issues are subjected to impartial and thorough consideration by the Board. Independent Non-executive Directors are identified in all corporate communications. Pursuant to Rule 3.13 of the Listing Rules, all Independent



INED : Independent Non-executive Director    NED : Non-executive Director  
ED : Executive Director

\* Including the Managing Director

Non-executive Directors have confirmed their independence in writing to both the Stock Exchange and the Company, and the Company considers each of them to be independent. The Company has fully complied with the Listing Rules requirement that at least one-third of the Board members should be Independent Non-executive Directors.

### Board Diversity

The Board recognises that a diverse board composition will bring in a wide range of business and professional experience to the Board, which will in turn enrich the decision-making process with different perspectives and support the attainment of the Company's strategic objectives. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the Board Diversity Policy of the Company, which takes into consideration various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Our Executive and Non-executive Directors have diverse backgrounds and possess both the depth of relevant experience and expertise to oversee the business of the Group in a way that ensures sustainable value is delivered and shareholder interests are safeguarded. The current mix of our Board members represents a balance of business, academia and the professions.

The age group and gender diversity of the Board of Directors are set out below:

Age Group	Male	Female
41 – 50	2	0
51 – 60	3	1
61 – 70	5	0
Over 70	4	0
<b>Total</b>	<b>14</b>	<b>1</b>

### The Role of the Board

The Board is responsible for steering, supervising and monitoring the performance of the Group's businesses in the best interests of its stakeholders. The primary areas of

responsibility of the Board include:

- formulating the Group's objectives, strategies, policies, business plans and corporate values;
- monitoring management performance;
- establishing appropriate policies to manage risks in pursuit of the Group's strategic objectives;
- reviewing the effectiveness of internal controls and risk management;
- ensuring the integrity of the Group's financial reporting system and public announcements;
- approving major financing arrangements;
- evaluating major acquisitions, disposals and material contracts;
- setting dividend policy; and
- overseeing the management of relationships with stakeholders, including shareholders, customers, the HKSAR Government, suppliers, employees and the community.

### The Roles of Chairman and Managing Director

The posts of Chairman and Managing Director are held separately by Dr Norman LEUNG Nai Pang, an Independent Non-executive Director, and Mr Roger LEE Chak Cheong, an Executive Director, respectively, neither of whom have any financial, business, family or other relationship with each other.

There is a clear distinction between the responsibilities of the Chairman and the Managing Director. The roles and duties of the Chairman and the Managing Director are clearly defined in writing, and are summarised as follows:

## CORPORATE GOVERNANCE REPORT

### Responsibilities of the Chairman:

- chairing the Board and shareholders' meetings and giving each Director an opportunity to express his/her views and shareholders an opportunity to voice their concerns;
- ensuring that the Board works effectively by performing its responsibilities and discussing all principal and appropriate issues in a timely manner;
- ensuring that all Directors receive adequate, accurate, clear, complete and reliable information promptly;
- taking appropriate steps to provide effective communication with shareholders and to ensure that shareholders' views are communicated to the Board as a whole; and
- ensuring that good corporate governance practices are in place.

### Responsibilities of the Managing Director:

- developing, recommending and implementing the Group's policies and strategies so that they reflect the long-term objectives and priorities approved by the Board;
- providing all such relevant, accurate, timely and clear information to the Board as is necessary to enable the Board to monitor the performance of the management;
- leading an effective executive team in the management of the Group's day-to-day businesses;
- closely monitoring operational and financial results against plans and budgets;
- maintaining regular dialogue with the Chairman on important and strategic issues facing the Group, and bringing these issues to the Board's attention;
- putting adequate operational, planning and financial-control systems in place; and
- managing the Company's relationships with its various stakeholders.

The Chairman also meets once a year with the Non-executive Directors, in the absence of the Managing Director and the other Executive Directors, to discuss the Group's business affairs. This meeting was held on 16 December 2014.

### Board Proceedings

#### Board Meetings

Board meetings are normally held every two months to discuss and decide on major corporate, strategic and operational matters, and to evaluate investment opportunities. Board meetings are conducted according to the procedures laid down in the Company's Bye-laws and the code provisions contained in the CG Code. The schedule of regular Board meetings is provided to Board members at the start of each year and any amendments to the schedule are notified to Directors at least 14 days before the meetings. The agenda for regular Board meetings is drafted by the Company Secretary for approval by the Chairman. Directors may put forward items for inclusion in the agenda of Board meetings. Notice of Board meetings is typically served to the Directors one month in advance, with the agenda and discussion papers for the Board meeting circulated seven days prior to the meeting to ensure that Directors have sufficient time to consider the items for discussion and make decisions in the best interests of the Company.

At Board meetings, senior management together with the relevant corporate executives report to the Board on the operations and financial performance of the Group's various business areas. Draft minutes of Board meetings, recording the matters considered by the Board and the decisions reached as well as any concerns raised or dissenting views expressed by the Directors, are taken by the Company Secretary and circulated to the Directors for their comment within a reasonable time after the meeting. The final version of the draft minutes is submitted to the Board at the subsequent meeting for formal adoption, and the adopted minutes are then kept by the Company Secretary and are available for inspection by the Directors.



### **Voting on Connected Transactions**

The Company's Bye-laws stipulate that all Directors are required to declare their interests, if any, in any transaction, arrangement or other issue proposed to be discussed at the Board meeting and to abstain from voting on relevant resolutions if they have a conflict of interest or a material interest in the proposed transaction. Any such declaration of interest will be recorded in the minutes. Directors having an interest so declared do not count towards the quorum for the meeting in respect of the passing of the relevant resolutions.

Independent Non-executive Directors, together with the other Board members, ensure that connected transactions are entered into in the ordinary course of business of the Group and that the terms of the connected transactions are on normal commercial terms which are arrived at on an arm's length basis, and that they are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. The Company Secretary must ensure that all connected transactions entered into are in compliance with the Listing Rules. In 2014, the Company was involved in one continuing connected transaction, details of which are disclosed on page 87 of this Annual Report.

### **Obligations of Directors**

#### **Code of Conduct**

The Company has drawn up a written Code of Conduct for Directors and employees which is available on the staff website. It provides guidance on matters relating to personal conduct, relations with suppliers and contractors, responsibilities to shareholders, relations with customers, employment practices and responsibilities to the community, as well as procedures for monitoring compliance and means of enforcement. The code promulgates ethical values in business activities and requires Directors and employees to adhere to it when discharging their delegated duties. The code is reviewed and updated periodically to ensure that it keeps abreast of regulatory changes. A whistleblowing policy, which is also published on the Company website and staff website, has been adopted to formalise the procedures for reporting actual or potential violations of the code and other suspected irregularities, as well as to encourage

employees and related third parties (such as customers and suppliers) who deal with the Company to raise concerns in confidence about misconduct or malpractice in matters related to the Company.

#### **Securities Transactions by Directors**

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct to regulate Directors' securities transactions in respect of the Company's shares. After having made specific enquiries, all Directors confirmed that they had complied throughout 2014 with the standard of dealings set out in the Model Code.

Details of the shareholding interests held by the Directors in the Company and its indirect non-wholly-owned subsidiary, RoadShow Holdings Limited, as at 31 December 2014, are set out on pages 123 and 124 of this Annual Report.

#### **Induction and Continuous Professional Development**

The Company Secretary is responsible for providing tailored induction programmes for new Directors and appropriate training programmes for the ongoing development of all Directors to ensure that they have a proper understanding of the Company's business operations and practices and are fully aware of their responsibilities under the Listing Rules and other regulatory requirements. Information on the latest developments regarding the Listing Rules and other applicable governance matters is provided to the Directors as and when required. The Directors are provided with detailed monthly management reports, as well as monthly media reports including press articles relevant to the Company's businesses. In 2014, a seminar was run by a professional services firm to update the Directors on the latest developments in corporate governance. Directors are encouraged to participate in continuous professional development programmes organised by qualified institutions. The costs for such programmes are borne by the Company. There is a formal procedure in place for reporting the training and continuous professional development received by Directors.

## CORPORATE GOVERNANCE REPORT

### **Time Commitment of Directors**

The Board reviews annually the contributions of the Directors and has received the confirmation from all Directors that they committed sufficient time and attention to the Company's affairs in 2014.

### **Appointment, Re-election, Re-designation and Cessation of Directors**

The Company follows a formal, considered and transparent procedure for the appointment of new directors. A person may be appointed a member of the Board at any time either by the shareholders in general meeting or by the Board on the recommendation of the Nomination Committee when it is necessary to fill a casual vacancy. A director appointed by the Board to fill a casual vacancy shall be subject to election by shareholders at the first annual general meeting after his or her appointment. All Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years. All Directors have a current term of office not longer than three years. Shareholders may remove a Director before the expiration of his or her period of office by passing a special resolution with detailed reasons at a general meeting properly convened in accordance with the Bye-laws of the Company for such a purpose.

The election of individual Directors is subject to separate resolutions to be approved by shareholders. In respect of the re-appointment of an Independent Non-executive Director who has served on the Board for more than nine years, the Company is required to explain in the circular containing the notice of the annual general meeting why it considers that the Director continues to be independent and why it recommends that shareholders should vote in favour of his or her re-election.

### **Appointment of Directors**

Mr Allen FUNG Yuk Lun was appointed by the Board as a Non-executive Director of the Company, KMB and LWB with effect from 1 January 2014 to fill the casual vacancy occasioned by the retirement of The Hon. Sir Sze-yuen CHUNG on 17 May

2012. He was re-elected as a Non-executive Director at the annual general meeting of the Company held on 22 May 2014.

Mr Roger LEE Chak Cheong was appointed by the Board as a Non-executive Director of the Company, KMB and LWB with effect from 3 March 2014 to fill the casual vacancy occasioned by the resignation of Dr Walter KWOK Ping Sheung on 27 January 2014. He was re-elected as a Non-executive Director at the annual general meeting of the Company held on 22 May 2014.

### **Re-election of Directors**

At the annual general meeting held on 22 May 2014, (the "2014 AGM"), five Directors, namely, Dr John CHAN Cho Chak, Mr NG Siu Chan, Mr Gordon SIU Kwing Chue, Mr John Anthony MILLER, Mr Evan AU YANG Chi Chun, retired by rotation and were re-elected as Directors of the Company.

### **Re-designation of Directors**

Mr Edmond HO Tat Man retired as Managing Director of the Company, KMB and LWB with effect from 1 January 2015 and was re-designated as a Non-executive Director on the same date.

Mr Roger LEE Chak Cheong was appointed and re-designated as Managing Director of the Company, KMB and LWB with effect from 1 January 2015.

### **Resignation of Director**

For personal reasons, Dr Walter KWOK Ping Sheung resigned as a Non-executive Director of the Company, KMB and LWB with effect from 27 January 2014. Dr Kwok confirmed that he had no disagreement with any member of the Board of the Company and that he was not aware of any matters in relation to his resignation that need to be brought to the attention of the shareholders of the Company.

Appropriate announcements of the appointment, re-election, re-designation and cessation of directorships were published in accordance with the requirement of Rule 2.07 of the Listing Rules.

At the forthcoming annual general meeting to be held on 21 May 2015 (the "2015 AGM"), Mr Raymond KWOK Ping Luen, Mr Charles LUI Chung Yuen, Ms Winnie NG, Dr Eric LI Ka Cheung, Mr Edmond HO Tat Man and Professor LIU Pak Wai will retire as Directors of the Company. All these retiring Directors, being eligible, have been nominated by the Nomination Committee and recommended by the Board to stand for re-election at the 2015 AGM. The election of each Director will be subject to the vote of shareholders by a separate resolution.

#### Procedures for Making Proposals to Nominate a Person for Election as a Director

Shareholders may put forward a proposal for the election of a person as a Director at a general meeting of the Company. The procedures for making proposals to nominate a person for election as a Director are available on the websites of the Company and of the Stock Exchange.

#### Directors' Indemnities and Protections

The Company has in place appropriate insurance coverage in the event of legal action being taken against the Directors of the Company, which indemnifies the Directors for liability incurred in connection with the Company's activities. These indemnities were in force during 2014 and remain in force.

#### DELEGATION BY THE BOARD OF DIRECTORS

As an integral part of good corporate governance, the Board has established four designated Board Committees: the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Group's affairs. Each Committee is governed by its respective terms of reference and is provided with adequate authority and resources to discharge its duties. The terms of reference are kept under regular review and are available on the websites of the Company and the Stock Exchange.

The membership of each Committee is shown below:

Name of Directors	Standing Committee	Audit Committee	Remuneration Committee	Nomination Committee
<b>Independent Non-executive Directors</b>				
Dr Norman LEUNG Nai Pang, <i>GBS, JP</i>	Chairman			
Dr John CHAN Cho Chak, <i>GBS, JP</i>	Member		Chairman	Chairman
Dr Eric LI Ka Cheung, <i>GBS, OBE, JP</i>		Chairman	Member	Member
Mr Gordon SIU Kwing Chue, <i>GBS, CBE, JP</i>		Member		Member
Professor LIU Pak Wai, <i>SBS, JP</i>			Member	
<b>Non-executive Directors</b>				
Mr Raymond KWOK Ping Luen, <i>JP</i>	Member			
Ms Winnie NG	Member			
Mr John Anthony MILLER, <i>SBS, OBE</i>		Member		
<b>Executive Directors</b>				
Mr Charles LUI Chung Yuen, <i>M.H.</i>	Member			
Mr Roger LEE Chak Cheong	Member			

# CORPORATE GOVERNANCE REPORT

## Standing Committee

The Standing Committee advises and assists the Board in formulating strategic opportunities and significant investment proposals as well as monitoring their implementation by management. In 2014, it held six meetings with senior management to review and discuss financial, operational and strategic planning and potential investment opportunities for the Group. The Standing Committee reports its findings and recommendations directly to the Board.

## Audit Committee

The Chairman of the Audit Committee, Dr Eric Li Ka Cheung, an Independent Non-executive Director of the Company, is a Certified Public Accountant who possesses the professional qualifications and accounting expertise required by the Listing Rules. Dr Li and the other members of the Audit Committee have diverse experience in various business and professional fields as set down in the Directors' biographies on pages 112 to 118 of this Annual Report. None of the Audit Committee members is a former or existing partner of the external auditors of the Company. The Audit Committee is charged with overseeing the financial reporting process, internal control procedures and risk management system of the Company, as well as its relationship with the external auditors. The Audit Committee's terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and are regularly updated with reference to the recommendations of the CG Code of the Listing Rules.

In 2014, the Audit Committee and senior management held two meetings with the Company's external auditors, KPMG, in which the Company's financial reports, internal control system and other relevant matters were reviewed and discussed. At the end of each meeting, the external auditors were invited to discuss in private with members of the Audit Committee issues noted during the course of the audit and any other matters they might wish to bring to the attention

of the Audit Committee without the presence of senior management. Following each meeting, the Chairman of the Audit Committee submitted a report to the Board of Directors and gave a briefing on all significant issues that had arisen.

The major work undertaken by the Audit Committee during the year included:

- (a) Review of the Company's Financial Reporting Process, and Internal Control and Risk Management Systems
  - Reviewed with senior management the accounting principles and practices adopted by the Group, the financial results of the Company and of its major subsidiaries, the accuracy and fairness of the financial statements, and the scope of internal and external audit work;
  - Reviewed the revised accounting standards and any prospective changes to accounting standards, and considered their impact on the financial reporting of the Company and the Group;
  - Reviewed with the external auditors the effectiveness of the audit procedures and their findings concerning the interim and annual financial statements and results announcements, as well as management's response to their findings;
  - Discussed and reviewed the internal audit reports prepared by Head of Internal Audit Department covering among other things audit objectives, audit approach, audit work done and the findings arising therefrom. The Audit Committee also examined the qualifications and experience of staff carrying out accounting and financial reporting, as well as the adequacy of resources and training programmes;
  - Conducted reviews with the external auditors and senior management to ensure that connected transactions were properly disclosed in accordance with the requirements of the Listing Rules; and



- Monitored and reviewed the internal control functions and the operation of the whistleblowing policy.

Following such reviews and discussions, the Audit Committee recommended to the Board that the unaudited interim financial report of the Company for the six months ended 30 June 2014 and the annual financial statements for the year ended 31 December 2014 be approved.

#### (b) Management of Relationship with External Auditors

- Reviewed the independence of the external auditors and considered their terms of engagement and audit fee proposal to ensure that there was no impediment to their independence; and
- Ensured that the external auditors conducted their audit and non-audit services effectively.

Based on the conclusions drawn from these reviews, the Audit Committee recommended to the Board that KPMG, the existing external auditors, be re-appointed as auditors of the financial statements of the Company for the year ending 31 December 2015.

### Remuneration Committee

The Remuneration Committee is delegated by the Board with the authority for formulating remuneration policies, including the establishment of guidelines to determine terms and conditions of employment, and remuneration and retirement benefits of Directors and employees of the Group. It also draws up criteria for performance-based bonuses, and reviews and makes recommendations to the Board on human resources related policies in line with the Group's goals and objectives. Details of the terms of reference, remuneration policies and work performed by the Remuneration Committee in 2014 are set out in the Remuneration Report on pages 108 to 111 of this Annual Report.

### Nomination Committee

The Nomination Committee identifies appropriate candidates with suitable skills and experience for consideration by the Board, taking into account the Board Diversity Policy. The objective is to ensure that the appointment of Directors undergoes formal, stringent and transparent procedures. All members, including the Chairman, of the Nomination Committee are Independent Non-executive Directors of the Company. The principal terms of reference of the Nomination Committee include:

- Formulating nomination policy for consideration by the Board and implementing the nomination policy established by the Board;
- Identifying and nominating for the approval of the Board appropriately qualified candidates for appointment as Directors;
- Making recommendations to the Board for the appointment or re-appointment of Directors and regarding succession planning for Directors, in particular, the Chairman and the Managing Director;
- Reviewing and monitoring the structure, size and composition (including evaluating the balance and blend of skills, knowledge, professional experience, gender, age, cultural and educational background and length of service) of the Board and making recommendations to the Board regarding any proposed changes; and
- Evaluating the independence of Independent Non-executive Directors.

# CORPORATE GOVERNANCE REPORT

## Attendance Records

The Directors' attendance at the Annual General Meeting, Board Meetings and Committee Meetings in 2014 is given below:

Members of the Board of Directors	Meetings Attended / Held					
	2014 AGM	Board	Standing Committee	Audit Committee	Remuneration Committee	Nomination Committee
<b>Independent Non-executive Directors</b>						
Dr Norman LEUNG Nai Pang, <i>GBS, JP (Chairman)</i>	1/1	6/6	6/6			
Dr John CHAN Cho Chak, <i>GBS, JP (Deputy Chairman)</i>	1/1	6/6	6/6		3/3	2/2
Dr Eric LI Ka Cheung, <i>GBS, OBE, JP</i>	1/1	6/6		2/2	3/3	2/2
Mr Gordon SIU Kwing Chue, <i>GBS, CBE, JP</i>	1/1	6/6		2/2		2/2
Professor LIU Pak Wai, <i>SBS, JP</i>	1/1	6/6			3/3	
<b>Non-executive Directors</b>						
Mr Raymond KWOK Ping Luen, <i>JP</i> <i>(with Mr Godwin SO Wai Kei, as alternate)</i>	0/1	0/6	3/6			
Dr Walter KWOK Ping Sheung, <i>JP</i> <i>(with Mr Godwin SO Wai Kei, as alternate)(Note 1)</i>	0/0	0/1				
Mr NG Siu Chan <i>(with Ms Winnie NG as alternate)</i>	1/1	5/6				
Mr William LOUEY Lai Kuen	1/1	6/6				
Ms Winnie NG	1/1	6/6	5/6			
Mr John Anthony MILLER, <i>SBS, OBE</i>	1/1	6/6		2/2		
Mr Allen FUNG Yuk Lun <i>(Note 2)</i>	1/1	6/6				
Mr Roger LEE Chak Cheong <i>(Note 3)</i>	1/1	6/6				
<b>Executive Directors</b>						
Mr Charles LUI Chung Yuen, <i>M.H.</i>	1/1	5/6	6/6			
Mr Edmond HO Tat Man <i>(Managing Director) (Note 4)</i>	1/1	6/6	6/6			
Mr Evan AU YANG Chi Chun <i>(Deputy Managing Director)</i>	1/1	6/6				
<b>Alternate Directors</b>						
Ms Winnie NG <i>(Alternate Director to Mr NG Siu Chan)</i>		1/1				
Mr Roger LEE Chak Cheong <i>(Alternate Director to Mr Raymond KWOK Ping Luen, JP)</i> <i>(Note 3)</i>		0/0				
Mr Godwin SO Wai Kei <i>(Alternate Director to Dr Walter KWOK Ping Sheung, JP)</i> <i>(Note 5)</i>		6/6				
<b>In attendance</b>						
External Auditors	1/1			2/2		

Notes:

1. Resigned as Non-executive Director on 27 January 2014
2. Appointed as Non-executive Director on 1 January 2014
3. Served as Alternate Director to Mr Raymond KWOK Ping Luen until 2 March 2014, and appointed as Non-executive Director on 3 March 2014 and as Managing Director on 1 January 2015
4. Re-designated as Non-executive Director on 1 January 2015
5. Served as Alternate Director to Dr Walter KWOK Ping Sheung until 27 January 2014 and appointed as Alternate Director to Mr Raymond KWOK Ping Luen on 3 March 2014



The Board held six meetings in 2014, which exceeded the minimum of four board meetings a year as required by the CG Code. On average, regular Board meetings and Board Committee meetings lasted at least two hours.

### Delegation of Responsibilities to Senior Management

Responsibility for implementing the Group's strategies and for day-to-day management of the Group's businesses is delegated under the supervision of the Board and the relevant Board Committees upon senior management, comprising the Executive Directors and the management team. Drawing upon their extensive experience and expertise in different areas, the senior management team provides accurate, adequate and detailed financial and operational information in a timely manner to the Board to keep them updated on the latest developments of the Group, enabling them to make informed decisions and discharge their responsibilities effectively.

### The Role of the Company Secretary

The post of Company Secretary is held by Miss Lana WOO who is a member of The Hong Kong Institute of Chartered Secretaries. She is responsible for keeping the Board and Board Committees up to date on relevant legislative, regulatory and corporate governance matters and for facilitating the induction and continuous professional development of Directors. She reports to the Managing Director of the Company, and all Directors may call upon her for advice and assistance at any time in respect of their duties and the effective operation of the Board and Board Committees. In 2014, the Company Secretary underwent over 15 hours of professional training to update her skills and knowledge.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board acknowledges its responsibility for the preparation of financial statements of the Company and the Group which give a true and fair view in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies

Ordinance. Such responsibility covers interim and annual reports, as well as "price-sensitive" announcements and other financial disclosures required by the Listing Rules, reports to regulators, and any information that needs to be disclosed under statutory requirements.

The financial statements of the Company and the Group for the year ended 31 December 2014 given on pages 130 to 195 of this Annual Report represent a true and fair view of the state of affairs of the Company and the Group, and the results and cash flow for the year. The Audit Committee of the Company, together with management and the Company's external auditors, has reviewed the accounting principles and policies adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the financial results for the year ended 31 December 2014.

### Internal Controls and Risk Management

The Board has the overall responsibility for establishing, maintaining and reviewing the effectiveness of the Group's internal control system, which safeguards the Group's assets and stakeholders' interests, minimises operational system risks, and provides reasonable assurance against material misstatement of information (whether financial or non-financial). To ensure effective monitoring of its day-to-day operations, stringent internal control measures are implemented at all levels of the Group.

The Audit Committee is delegated by the Board with the responsibility of overseeing the Group's internal control framework, assessing its effectiveness, and providing reasonable assurance on the reliability of financial reporting and compliance with applicable laws and regulations. With the assistance of the external auditors and the Internal Audit Department, the Audit Committee provides strong assurance regarding the quality and effectiveness of our control practices.

### Control Environment

A sound control environment is built on a well-structured internal control framework with clearly defined areas of authority and responsibility, a culture of integrity and high ethical standards at both the management and staff levels, and an effective risk management system.

# CORPORATE GOVERNANCE REPORT

The Group has a clear organisational structure with delineated lines of authority and control responsibilities, which are clearly set out in writing and documented in the form of organisation charts and job manuals for each of the operating and business units. Management is responsible for designing, adopting and maintaining internal controls, formulating operational plans and preparing financial budgets setting out the resources to be allocated according to the identified and prioritised business opportunities. The approved plans and budgets are used as the benchmarks for monitoring the implementation results. The Board and the Audit Committee oversee management performance and monitor the effectiveness of the internal controls. Specialised Board committees and cross-departmental working committees are set up from time to time to deal with specific issues.

## Internal Control Framework

The Group's Internal Control Framework is based on the following elements:

### The Board

- maintains a sound and effective internal control system;
- monitors and oversees the performance of the Internal Control Framework; and
- establishes high ethical and moral standards and monitors management compliance with these standards.

### The Audit Committee

- provides directives for the design and implementation of a sound and effective internal control system;
- oversees the Internal Control Framework;
- reports to the Board on the performance of the Company's internal control system;
- ensures the independence and transparency of the internal audit function;
- approves audit plans and ensures that the findings of the Internal Audit Department are properly addressed by management; and

- promotes coordination between the internal and external auditors.

### Management

- cooperates with and supports the work of the Internal Audit Department;
- designs, implements and maintains an effective internal control system;
- performs the central role in monitoring the Group's Quality Management System; and
- supervises staff to ensure that they carry out their duties in accordance with the requirements of internal control practices.

### The Internal Audit Department

- formulates action plans to monitor the effectiveness of the internal control system;
- works with various operating units and monitors their compliance with internal control practices;
- conducts robust reviews and stringent testing of the internal control system and makes recommendations for improvement;
- reports directly to the Audit Committee on a periodic basis; and
- provides independent and objective assurance of the effectiveness of the internal control practices.

## Quality Management System

An effective and efficient Quality Management System ("QMS") based on the benchmarks required by the International Organisation for Standardisation ("ISO") has been implemented in TIH's three major subsidiaries, KMB, LWB and Sun Bus Limited ("SBL"). Each of these companies has obtained ISO 9001:2008 quality management system certification. In addition, KMB's two major bus depots are ISO 14001 certified for their environmental management systems. The adoption of the QMS enables the Group to respond to the risks inherent in its operations through effective control practices.

A systematic and well-structured documentation model facilitates the Group's development of strategic and operational planning and serves as a performance indicator against which a business unit may measure its effectiveness. Under ISO requirements, all major financial and operational procedures and instructions, including illustrative flow charts, need to be clearly documented and approved by authorised persons before release. Such documentation, covering KMB, LWB and SBL's major operational processes and relevant staff members' responsibilities and authority, is reviewed and updated regularly in line with changes in work processes. Trained internal quality auditors regularly conduct on-site audits to ensure that daily operations are performed according to the documented procedures. If any non-conformity is detected, preventive and corrective measures will be taken immediately. Regular management meetings are held to review the effectiveness and compliance of the QMS. Improvement plans are continuously formulated and implemented to enhance the effectiveness of QMS.

Each year, an external ISO certification organisation, the Hong Kong Quality Assurance Agency ("HKQAA"), carries out an independent audit of the QMS to ensure its effectiveness, efficiency and conformity. Recommendations are made for follow-up action when areas for improvement are identified during the course of the ISO audit. In 2014, no non-conformity in the QMS was found in the ISO audits of KMB, LWB and SBL.

**Enterprise Risk Management**

The Group is aware that its businesses are exposed to various types of risks, including operational and financial risks, which may prevent us from achieving our business goals or enhancing our corporate values. Policies and procedures have been developed and implemented to manage these risks with reference to the framework issued by the Committee of Sponsoring Organisations of the Treadway Commission. This framework involves identifying potential risks that are related to different business processes and relevant to the Group's objectives, and assessing them in terms of impact and likelihood by deploying appropriate quantitative and qualitative techniques. Depending on their level of significance, the risks inherent in various business processes will be duly prioritised according to their level of significance. Appropriate responses and controls are formulated and implemented to minimise the risk exposure.

Relevant information is generated and communicated to management periodically to monitor the effectiveness of the risk management process.

The risk management process is illustrated as follows:



**Business Continuity Plan**

The Group's flagship subsidiary, KMB, has formulated and documented a Business Continuity Plan ("BCP"), which is reviewed and updated from time to time according to changes in circumstances. The BCP, an integral part of the risk management process, provides a systematic approach for building an effective response that enables management to safeguard shareholder value in a crisis by prompt response to the situation and by resuming KMB's critical business functions at acceptable pre-defined levels. The BCP identifies and evaluates major risks in respect of business functions that would be affected in terms of likelihood and consequences of disruption, defines responsibilities, recovery time objectives and resources required, and outlines the necessary responses. KMB performs walk-through tests and drills periodically to ensure that these responses are practicable.

An emergency management team under the leadership of the Managing Director works to ensure that, in the event of a contingency, effective management will be maintained and responses that reduce the disruption will be taken promptly.

# CORPORATE GOVERNANCE REPORT

## **Business Ethics**

The Group's internal control environment is built on the culture of moral consciousness, high ethical values and management integrity. We prohibit directors or employees from soliciting any advantage from customers, suppliers or any other person in connection with our business. The Code of Conduct and the Staff Handbook, which are published on KMB's staff website, define the rules and policies which all Directors and staff are expected to follow. Besides covering all aspects of administrative and operational activities, such as: (a) soliciting, accepting and offering advantages; (b) entertainment; (c) use of proprietary information; (d) handling of conflicts of interest; (e) misuse of assets and resources; (f) loans; (g) gambling; (h) outside employment; and (i) proper use of official position, these guidelines underline the social responsibilities of the Group. The Code also emphasises transparency, objectivity, integrity and reliability in the handling of financial information, and disclosure in financial reports. In addition, the Staff Handbook reminds all staff members that they must not make use of their position to solicit or receive any advantage from the public; and that in the event of their encountering a situation in which they are offered gifts or money from the public while carrying out their daily duties, they must inform the management to receive instructions with regard to the proper handling of the gift/money.

## **Whistleblowing Policy**

The Group is committed to the highest possible standards of openness, probity and accountability. A whistleblowing policy has been established by the Audit Committee of the Company to encourage employees, business partners, suppliers and any third party who have concerns about any suspected misconduct or malpractice within the Group to report potential violations of the code and any fraudulent, unethical acts or instances of non-compliance with laws. The Group will respond to the concerns expressed fairly and properly.

The Audit Committee has overall responsibility for the whistleblowing policy, but has delegated day-to-day responsibility for overseeing and implementing it to the Company Secretary. Responsibility for monitoring

and reviewing the operation of the policy and any recommendations for action resulting from investigation into complaints lies with the Audit Committee. The Company Secretary monitors and reviews the use and effectiveness of the whistleblowing policy on a regular basis.

The Group's whistleblowing policy and procedures, which are published on the Company's website, apply to employees at all levels and in all divisions as well as to business partners, suppliers and any third party that deals with the Group.

## **Comprehensive Internal Audit Function**

The Internal Audit Department plays a crucial role in monitoring the internal governance of the Group. It is responsible for providing the Audit Committee and senior management with independent and objective assurance that the internal control system of the Group is effective in achieving its objectives, and that any risks and internal control weaknesses have been adequately addressed. This objective is accomplished through the implementation of a systematic, disciplined, risk-based audit approach designed to examine and evaluate the internal controls of the Group by reference to the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. This involves reviewing the inherent risks associated with each key business process and evaluating the internal controls to mitigate these risks, testing compliance of the internal controls, and carrying out substantive tests, such as transaction tests, stocktaking, physical inspection and analytical reviews in major areas to assess the effectiveness of the internal control system and the correctness of the accounting data, as well as recommending potential improvement opportunities where appropriate to enhance the internal control system.

The Head of Internal Audit Department supervises the implementation of comprehensive audits and reviews the financial and operational procedures and practices of the Group on both a regular and an ad-hoc basis. To ensure the independence of the internal audit function of the Group, the Head of Internal Audit Department reports directly to the Audit Committee and the Managing Director.

In 2014, the major work undertaken by the Internal Audit Department included:

- Independently reviewing the risks and controls of the Group, and ensuring that the risks and any internal control weaknesses were properly addressed;
- Conducting systematic audits of various aspects of the Group's operations according to the rolling audit plan, communicating the findings, recommending follow-up action to the relevant operating units, and reporting to the Audit Committee and the Managing Director;
- Reviewing critical areas of concern identified by senior management or the Audit Committee; and
- Performing an internal consulting service to help improve the operational and financial performance of the Group's various business units.

Based on the report of the Internal Audit Department, the Audit Committee has concluded that the Group continues to operate in a sound control environment with a control system that effectively monitors and corrects non-compliance in all significant areas. Following the Audit Committee's annual review of the Group's internal control system, the Board is satisfied that the Group fully complied with the Code Provision on internal controls in 2014.

### Control Practices for Handling and Disseminating Price-sensitive and/or Inside Information

The Company recognises its obligations under the Listing Rules and the Securities and Futures (Amendment) Ordinance, and has proper procedures and internal control measures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group. The Board, senior management and nominated executives who have access to price-sensitive and/or inside information are bound by the Model Code for Securities Transactions under the Listing Rules. Additionally, every employee is required to follow the guidelines of the Code of Conduct and the Staff Handbook to keep unpublished price-sensitive and/or inside information strictly confidential.

### External Audit

The external auditors play an important role in ensuring the integrity of the disclosure of financial information. Any major findings if noted by the auditors during the course of their review of the Company's interim financial report and their audit of the Company's annual financial statements will be reported directly to the Audit Committee and the Board. The external auditors are invited to attend meetings of the Audit Committee, as well as the Annual General Meeting.

The Audit Committee is responsible for monitoring the audit and non-audit services rendered to the Group by its external auditors. A formal policy is in place to ensure that the engagement of the external auditors in non-audit services will not impair their independence in providing the audit services. The external auditors are also required to review annually their relationship with the Group and to give written confirmation to the Audit Committee of their independent status.

The Company engaged KPMG as external auditors to audit the financial statements of the Company for the year ended 31 December 2014. KPMG has formally confirmed in writing to the Audit Committee that for the year ended 31 December 2014 and up to the date of this Annual Report, it remains independent of the Group in accordance with the independence requirements of the HKICPA.

The fees for services rendered by KPMG to the Group for the year ended 31 December 2014 are set out below:

	HK\$ million
Audit related services	7.1
Non-audit related services (Note)	0.5
<b>Total</b>	<b>7.6</b>

Note: Non-audit related services mainly consist of other review and reporting services.

# CORPORATE GOVERNANCE REPORT

## ENGAGEMENT WITH STAKEHOLDERS

### Shareholders

At 31 December 2014, the Company had 4,228 registered shareholders. In addition to individual shareholders, some shares are held by institutional investors, or by people and organisations via financial intermediaries such as nominees, investment funds and the Central Clearing and Settlement System ("CCASS") of Hong Kong.

The names of the shareholders, other than Directors of the Company, holding 5% or more of the shares of the Company as at 31 December 2014 are disclosed in the Report of the Directors on page 125 of this Annual Report. The largest single shareholder of the Company is Sun Hung Kai Properties Limited, which retains an equity interest of about 33.0% in the Company.

At the end of 2014, the shareholding distributions of the Company were as follows:

Size of registered shareholding	Number of shareholders	% of shareholders	Number of shares (Note)	% of issued share capital
0-1,000	1,444	34.15	470,693	0.12
1,001-5,000	1,630	38.55	3,870,878	0.96
5,001-10,000	488	11.54	3,717,547	0.92
10,001-100,000	548	12.96	16,172,644	4.01
Above 100,000	118	2.80	379,407,651	93.99
	<b>4,228</b>	<b>100.00</b>	<b>403,639,413</b>	<b>100.00</b>

Note: 41.41% of all TIH's issued shares were held through CCASS.

Based on information that is publicly available to the Company and to the knowledge of the Directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

### Shareholder Communications Policy

Transparency is the cornerstone of good corporate governance. The Board has formulated a Shareholder Communications Policy, which is posted on the Company's website and is reviewed regularly to ensure its effectiveness. The Group adopts various communication means, including press releases, announcements, interim and annual reports, and circulars, to convey its messages to shareholders. The interim and annual reports, notices of general meetings, announcements and circulars in English and/or Chinese

are posted on the Company's website ([www.tih.hk](http://www.tih.hk)) as well as the website of the Stock Exchange, and are delivered to shareholders within the respective deadlines stipulated by the Listing Rules. Other information of interest to shareholders and the public is also available on the Company's website.

### Annual Reports

Since the annual report is an important source of information for our shareholders and other stakeholders wishing to understand our businesses, we work hard to ensure that it is informative, comprehensible and transparent, with an excellent level of disclosure. The Annual Report has English and Chinese versions and is available in both print and electronic versions. Shareholders can choose to receive a printed version (in English, Chinese or both languages) or the electronic version. In the interests of environmental



preservation and economy, we encourage our shareholders to choose the electronic version of all the Company's corporate communications: the annual and interim reports, notices of meetings, listing documents, circulars and forms of proxy. Shareholders may at any time change their choice of language or means of receiving the Company's corporate communications by giving written notice of not less than seven days to the Company's share registrar, Computershare Hong Kong Investor Services Limited, or by emailing [tih.ecom@computershare.com.hk](mailto:tih.ecom@computershare.com.hk).

Over the years, the Company's annual reports have won widespread recognition in local and international award programmes. In 2014, the Company won the following prestigious awards:

- Gold Award – Non-Hang Seng Index (Mid-to-small Market Capitalisation) Category in the Best Corporate Governance Disclosure Awards organised by the Hong Kong Institute of Certified Public Accountants;
- Gold Award for Chairman's Letter and Bronze Awards for Written Text and Cover Photo/Design in the International ARC Awards; and
- Honourable Mention in the Hong Kong Management Association ("HKMA") Best Annual Reports Awards.

### Annual General Meeting

The Company's general meetings are important platforms for Directors to communicate with shareholders directly. The annual general meetings or other general meetings are normally attended by all Directors and senior management as well as the Company's external auditors so that any comments or questions raised by shareholders can be addressed.

All shareholders have the right to vote at general meetings. All voting is conducted by poll at general meetings so that each share is entitled to one vote. Separate resolutions are proposed for each separate matter, including the election of individual Directors. The circular containing

the notice of the annual general meeting, proposed resolutions, biographies of Directors standing for election and information on poll voting procedures is sent to shareholders with the annual report at least 20 clear business days before the annual general meeting.

The 2014 AGM was held on 22 May 2014 and the matters resolved are summarised below:

As ordinary business:

- Approval of the audited financial statements and reports of the Directors and Auditors for the year ended 31 December 2013;
- Approval of an ordinary final dividend of HK\$0.45 per share for the year ended 31 December 2013;
- Re-election of Dr John CHAN Cho Chak, Mr NG Siu Chan, Mr Gordon SIU Kwing Chue, Mr John Anthony MILLER, Mr Evan AU YANG Chi Chun, Mr Allen FUNG Yuk Lun and Mr Roger LEE Chak Cheong as Directors of the Company;
- Re-appointment of KPMG as auditors of the Company, and authorisation of the Directors to fix their remuneration;
- Granting of a general mandate to the Directors to issue shares not exceeding 20% of the issued share capital;
- Granting of a general mandate to the Directors to exercise the powers of the Company to purchase its own shares not exceeding 10% of the issued share capital; and
- Granting of a general mandate to the Directors to extend the share issue mandate granted to the Directors not exceeding 10% of the issued share capital.

The details and poll voting results of the 2014 AGM were published on the websites of the Company and the Stock Exchange on 22 May 2014.

## CORPORATE GOVERNANCE REPORT

The 2015 Financial Calendar of the Company is set out as follows:

Announcement of 2014 final results	<b>19 March 2015</b>
Dispatch of 2014 Annual Report and accompanying circular to shareholders	<b>17 April 2015</b>
Last day to register transfer to qualify to attend and vote at the 2015 AGM	<b>13 May 2015</b>
Book closure for 2015 AGM (both dates inclusive)	<b>14 May 2015 - 21 May 2015</b>
Date of 2015 AGM	<b>21 May 2015</b>
Last day to register transfer to qualify for 2014 final dividend	<b>27 May 2015</b>
Book closure for 2014 final dividend	<b>28 May 2015</b>
Payment of 2014 final dividend	<b>9 June 2015</b>
Announcement of 2015 interim results	<b>mid-August 2015</b>
Payment of 2015 interim dividend	<b>mid-October 2015</b>
Financial year end date	<b>31 December 2015</b>

### Shareholders' Right

Under the Company's Bye-laws, shareholders holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings of the Company may ask the Board to convene a special general meeting ("SGM") for the transaction of business specified in the request. The request must be in written form with the purpose of the meeting stated therein and deposited at the head office of the Company at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. The request must be signed by the shareholders concerned and may consist of two or more documents in like form, each signed by one or more of those shareholders. Upon receipt of confirmation by the Company's Share Registrars that the request is valid, the Company Secretary will arrange to convene a SGM by serving sufficient notice to all the registered shareholders in accordance with the Company's Bye-laws and the statutory requirements.

### Procedures for Making Proposals at General Meetings

Shareholders holding not less than one-twentieth of the total voting rights of those shareholders having the right to vote at the general meetings or not less than 100 shareholders holding shares in the Company may submit a written request

to move a resolution at general meetings. The procedures for making proposals at general meetings are laid down in the Company's Shareholder Communications Policy, which is available on the Company's website.

### Procedure for Sending Enquiries to the Board

Shareholders may send their enquiries to the Board. All enquiries should be addressed to the Board or Company Secretary and sent to the Company's head office at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. Shareholders may also email their enquiries to the Directors at the Company's email address [director@tih.hk](mailto:director@tih.hk). The Company Secretary is responsible for responding to these enquiries in the first instance.

### Constitutional Documents

An updated and consolidated version of the Bye-laws of the Company is published on the websites of the Company and the Stock Exchange. No changes were made to the Company's constitutional documents in 2014.

### General Public

The following communication channels are used by the Group to keep the general public abreast with developments in the Group:



Good governance characterises TIH's operations

**Website** – The Company's website [www.tih.hk](http://www.tih.hk) offers a wide range of information about the Group and its various businesses for shareholders and other interested parties.

**Media** – To keep the public informed about the bus services of KMB and LWB, the two major subsidiaries of the Group, regular press sessions are held at which the media are introduced to the latest developments in terms of services, facilities, safety and environmental protection.

**Publications** – KMB and LWB publish a number of booklets and leaflets which keep the travelling public updated on their services and operations.

In 2014, the KMB website won the Gold Prize in the 2013 Top 10.hk Website Competition organised by the Hong Kong Internet Registration Corporation Limited and the Gold Award in the "Web Accessibility Recognition Scheme" organised by Office of the Government Chief Information Officer and Equal Opportunities Commission.

KMB publications may be accessed on its website [www.kmb.hk](http://www.kmb.hk), together with regular updates on corporate, financial and media matters relating to the Group.

## Employees

Strong two-way communication between management and our staff is not only essential to our success, it is also the most effective way of boosting loyalty and efficiency.

The Group's staff website is an important means for staff to access relevant management announcements and information on issues that concern them, such as payroll and staff events and activities. Orientation training courses, e-learning programmes and a staff forum are also available online. The corporate magazine KMB Today keeps our employees, especially frontline staff, informed of news and events relating to the Group and the industry. The "Message from the Managing Director" column provides enhanced communication between management and staff.

The Staff Handbook on the staff website sets out the Company's human resources policies and provides clear guidelines for all staff to follow.

