

CORPORATE GOVERNANCE REPORT

We believe that good corporate governance provides a solid foundation for business success, by guaranteeing sustainable returns to shareholders and fostering stakeholder confidence. To this end, a raft of sound policies, procedures and rules are observed by Board members and staff, and the interests of our stakeholders taken into account as we set our long term business goals.

The Group's commitment to corporate governance has again been recognised by the Hong Kong Institute of Certified Public Accountants, with the Company's 2014 Annual Report receiving the Gold Award in the 2015 Best Corporate Governance Disclosure Awards (Non-Hang Seng Index: Mid-to-small Market Capitalisation).



CORPORATE GOVERNANCE FRAMEWORK

The Group has a Corporate Governance Framework (the "Framework") for identifying all the key participants in good governance, the ways in which they correlate and the contribution each makes to the application of effective governance policies and processes. The Framework is built upon principles of accountability, transparency and integrity.

The Board and senior management use the Framework as a performance-oriented benchmark when evaluating the achievement of the Group's business goals. In response to changes in regulatory requirements, environmental needs, evolving social expectations and international relations, the Group regularly reviews the Framework. Meticulous management policies and practices generated by the Framework are diligently followed at all levels throughout the Group.

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

- Maintenance of a diverse and optimal board composition, implantation of efficient management reporting systems and retention of a professional management team to ensure that the Directors are sufficiently informed prior to making decisions in the best interests of our stakeholders.
- Establishment of thorough internal audit and control systems to safeguard against risks, protect the assets of the Group, and so ensure that its policies and management practices are executed as planned, and any irregularities, deviations, material misstatements and instances of malpractice are rapidly identified and rectified; and
- Establishment of transparent and effective communication channels to ensure that the Group's affairs are brought to the attention of shareholders, customers and other stakeholders.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company scrupulously abides by the corporate governance principles contained in the Corporate Governance Code of the Listing Rules ("the CG Code"). The CG Code states the principles of good corporate governance with two levels of recommendations, namely, (a) the "Code Provisions" and (b) the "Recommended Best Practices".

The Company complied with all applicable Code Provisions throughout the year ended 31 December 2015, except that one of the Non-executive Directors of the Company was unable to attend the Annual General Meeting and the Special General Meeting of the Company held on 21 May 2015 as provided for in code provision A.6.7 due to another engagement. However, his alternate attended both meetings on his behalf.

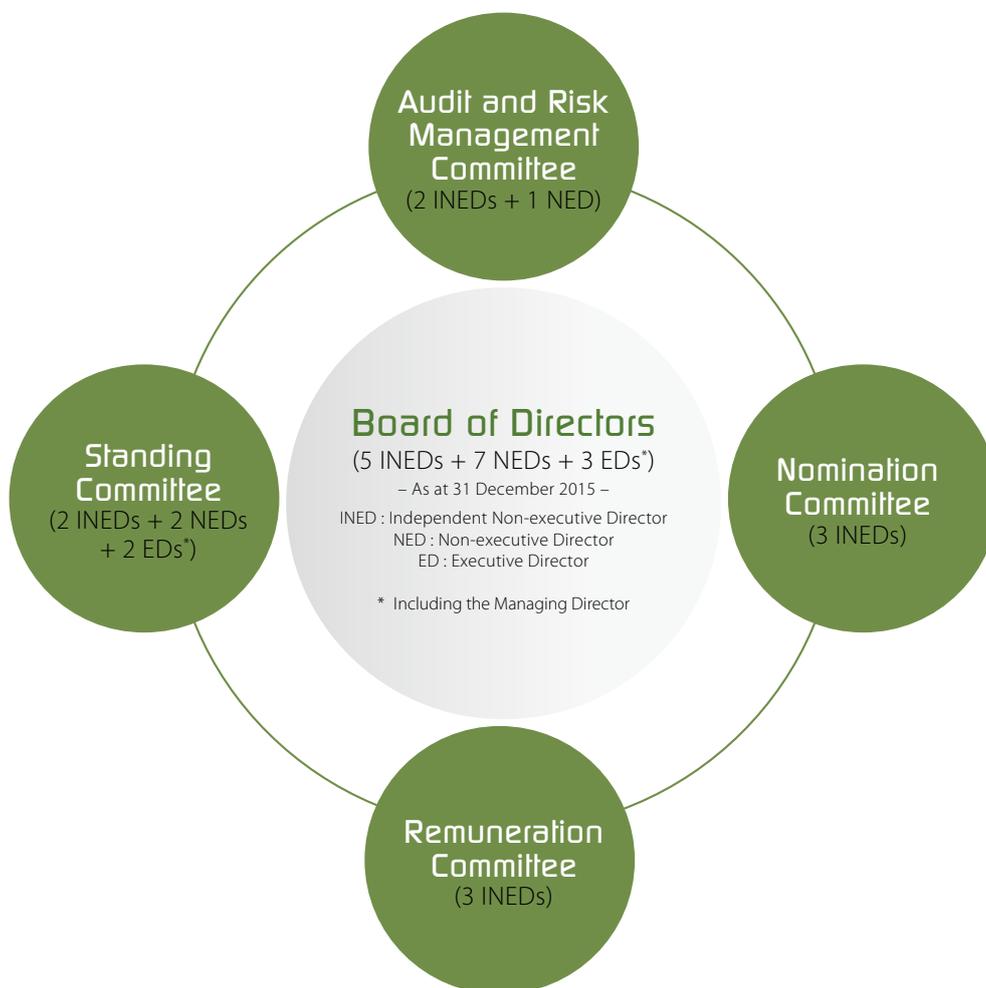
THE BOARD OF DIRECTORS

Board Composition

The structure of the Board maintains a balance of high calibre executive and non-executive directors possessing relevant skills, industry knowledge, first-hand experience and sufficient diversity of perspectives suitable for the Group's businesses. Mr. Evan AU YANG Chi Chun tendered his resignation from the position of Executive Director of the Company and its subsidiaries with effect from 1 March 2016. Prior to Mr. AU YANG's resignation, the Board comprised 15 members of which five are Independent Non-executive Directors, seven are Non-executive Directors and three are Executive Directors. 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 and Risk Management Committee, the Remuneration Committee and the Nomination Committee. The Board of Directors and the Board Committees are chaired by Independent Non-executive Directors. The compositions of the Board and Board Committees at 31 December 2015 are stated below:

Although the Non-executive Directors are not involved in the day-to-day management of the Group's businesses, they serve as custodians of the governance process by closely scrutinising the management's performance in reaching agreed corporate goals and objectives. Their contribution is made, among other ways, by attending Board meetings at which they provide 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 provide critical and objective review of issues that come before the Board. In particular, they ensure that the general interests of the shareholders are thoroughly considered by the Board. They also see that connected transactions and other issues are subject 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, the Company considers all of them to be independent as all Independent Non-executive Directors have confirmed their independence in writing to both the Stock Exchange and the Company. The Listing Rules requirement that at least one-third of the Board members should be Independent Non-executive Directors is fully complied with by the Company.

BOARD DIVERSITY

It is the experience of the Company that diverse board composition will ensure a wide range of business and professional experience on the Board, which will in turn assure the decision-making process of different perspectives and support the attainment of the Company's strategic objectives. All Board appointments are merit-based. The Company has adopted a Board Diversity Policy that takes into account, among other aspects, each candidate's gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All candidates are considered against such objective criteria.

The backgrounds of our Executive and Non-executive Directors are diverse. Each of them possesses both the depth of relevant experience and the expertise to oversee the business of the Group. This ensures that sustainable value is delivered and shareholders' 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 as at 31 December 2015 are set out below:

Age Group	Male	Female
41-50	1	0
51-60	4	1
61-70	4	0
Over 70	5	0
Total	14	1

The Role of the Board

The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The primary responsibilities of the Board are as follows:

- setting the Group's values and standards;
- giving the management objectives and directions;
- monitoring management performance;
- managing relationships with stakeholders, including shareholders, the HKSAR Government, employees and the community;
- 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; and
- setting dividend policy.

The Roles of Chairman and Managing Director

The Chairman and the Managing Director are two distinct posts, separately held 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.

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

Responsibilities of the Chairman:

- chairing the Board and shareholders' meetings (ensuring that views and concerns of the Board members and shareholders can be sufficiently expressed at such meetings);
- ensuring the operations of the Board are managed effectively by discussing all principal and appropriate issues in a timely manner;
- ensuring that all Directors receive adequate, accurate, clear, complete and reliable information in a timely manner;
- facilitating effective communication with shareholders and ensuring that shareholders' views are adequately reflected to the Board; and
- ensuring that all corporate governance practices adopted by the Board are implemented.

Responsibilities of the Managing Director:

- reflecting the long-term objectives and priorities set by the Board through developing and implementing the Group's policies and strategies;
- providing all such salient, accurate, timely and succinct information for the Board to monitor the performance of the management;
- leading an effective and professional executive team in the management of the Group's day-to-day businesses;
- closely monitoring operational and financial results in accordance with plans and budgets;
- maintaining regular dialogue with the Chairman on important and strategic issues faced by the Group, and bringing the same to the Board's attention;
- putting adequate operational, planning, legal and financial-control systems in place; and
- managing the Company's relationships with its diverse 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. Such a meeting was held on 22 October 2015.

Board Proceedings

Board Meetings

A Board meeting is generally held every other month, where all Board members meet in person, at which, major corporate, strategic and operational matters are discussed and investment opportunities are evaluated. All 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. At the beginning of every year, all Board members will be provided with the schedule of regular Board meetings. They will be duly informed of any amendments to the schedule at least 14 days before the meeting.

The agenda for regular Board meetings is consolidated by the Company Secretary for approval by the Chairman. All Directors are entitled to put forward items for inclusion in the agenda of Board meetings. A Notice of Board meeting is delivered to each Director one month in advance of the scheduled meeting date enclosing with it the agenda. Detailed discussion papers for the Board meeting are 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 the 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, which are then circulated to the Directors for their comments. The final version of the draft minutes is submitted to the Board at the ensuing meeting for formal adoption. Subsequent to this, the adopted minutes are kept by the Company Secretary, and are available for inspection by the Directors.

Voting on Connected Transactions

The Company's Bye-laws provide that all Directors are required to declare the nature and extent of their interests, if any, in any transaction, arrangement or other proposals to be discussed at a 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 by the Company Secretary in the minutes. A Director is not included in the quorum for such part of a meeting that relates to a resolution he/she is not allowed to vote on but he/she shall be included in the quorum for all other parts of that meeting. This reduces the potential for conflict which might otherwise arise between the Company's business and an individual Director's other interests or appointments.

Independent Non-executive Directors, together with the other Board members, ensure that connected transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole. The Company Secretary ensures that all connected transactions entered into are in compliance with the Listing Rules. In 2015, the Company was involved in two continuing connected transactions, details of which are given on pages 81 to 83 of this Annual Report.

Obligations of Directors

Code of Conduct

All Directors and staff of the Company are subject to a written Code of Conduct, 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. The Company has a

whistleblowing policy to encourage employees and related third parties (such as customers and suppliers) who deal with the Company to raise concerns in confidence about misconduct, malpractice or irregularity in any matters related to the Company. The whistleblowing policy is published on the Company website and staff website.

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. Senior managers, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of Inside Information (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)), are requested to comply with the provisions of the Model Code.

After having made specific enquiries, all Directors confirmed that they had complied throughout 2015 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 2015, are set out on pages 119 and 120 of this Annual Report.

Induction and Continuous Professional Development

All Directors attended training programmes in the year to keep themselves abreast of the latest developments in the fields relevant to their respective expertise and professions. 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

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monthly media reports including press articles relevant to the Company's businesses. On 19 March 2015, 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.

Time Commitment of Directors

For the year ended 31 December 2015, the Company has received confirmation from each Director that he/she committed sufficient time and attention to the Company's affairs. The Board reviews their contribution annually.

Re-election, Re-designation, Appointment and Resignation of Directors

The Company has in place a formal, considered and transparent procedure for the appointment of new directors. A person may be appointed as 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 must retire at the first annual general meeting after such appointment but is eligible for election at the same meeting. 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 the 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 a circular containing the notice of the annual general meeting why it considers that the Director continues to be independent and why it recommends his/her re-election to the shareholders.

Re-election of Directors

At the annual general meeting held on 21 May 2015, (the "2015 AGM"), six Directors, namely, 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, retired by rotation and were re-elected as Directors of the Company.

Re-designation of Director

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.

Appointment of Director

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

Resignation of Director

Mr Evan AU YANG Chi Chun resigned as Executive Director of the Company, KMB and LWB with effect from 1 March 2016.

Appropriate announcements of the re-election, re-designation, appointment and resignation 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 26 May 2016 (the "2016 AGM"), Dr Norman LEUNG Nai Pang and Mr William LOUEY Lai Kuen will retire as Directors of the Company. Both these retiring Directors, being eligible, have been nominated by the Nomination Committee and recommended by the Board to stand for re-election at the 2016 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

The Shareholders are entitled to nominate a person for election 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 taken out an appropriate insurance policy covering any legal action 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 2015 and remain in force.

The membership of each Committee is shown below:

Name of Directors	Standing Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors				
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	
Non-executive Directors				
Mr Raymond KWOK Ping Luen, <i>JP</i>	Member			
Ms Winnie NG	Member			
Mr John Anthony MILLER, <i>SBS, OBE</i>		Member		
Executive Directors				
Mr Charles LUI Chung Yuen, <i>M.H.</i>	Member			
Mr Roger LEE Chak Cheong	Member			

DELEGATION BY THE BOARD OF DIRECTORS

The Board maintains four designated Board Committees for good corporate governance to oversee various aspects of the Group's affairs: the Standing Committee, the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. Such Committees are governed by their respective terms of reference and are provided with adequate authority and resources to discharge their duties. The terms of reference are regularly reviewed and are available on the websites of the Company and the Stock Exchange.

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Standing Committee

The roles of the Standing Committee are to advise and assist the Board in devising business strategies, making significant investment proposals and monitoring their implementation. In 2015, it held six meetings with senior management to review and discuss financial, operational and strategic planning, as well as potential investment opportunities for the Group. The findings and recommendations of the Standing Committee are submitted directly to the Board.

Audit and Risk Management Committee

The Chairman of the Audit and Risk Management 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 prescribed by the Listing Rules. Dr Li and the other members of the Audit and Risk Management Committee have diverse experience in various business and professional fields as set down in the Directors' biographies on pages 108 to 114 of this Annual Report. None of the Audit and Risk Management Committee members is a former or existing partner of the external auditors of the Company. The Audit and Risk Management Committee is responsible for establishing and maintaining an adequate internal control structure and ensuring the quality and integrity of financial statements, for nominating independent external auditors and for reviewing the adequacy of external audits in respect of cost, scope and performance. It also ensures that an effective system of internal control and risk management is established within the Company. The Audit and Risk Management 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 2015, the Audit and Risk Management 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 and Risk Management Committee issues noted during the course of the audit and any other matters they might wish to bring to the attention of the Audit and Risk Management Committee without the presence of senior management. Following each meeting, the Chairman of the Audit and Risk Management 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 and Risk Management Committee in the financial year ended 31 December 2015 included:

(a) Supervision 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 the Head of the Internal Audit Department covering among other things audit objectives, audit approach, audit work done and the findings arising therefrom. The Audit and Risk Management 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 the operation of the whistleblowing policy.

Following such reviews and discussions, the Audit and Risk Management Committee recommended to the Board that the unaudited interim financial report of the Company for the six months ended 30 June 2015 and the annual financial statements for the year ended 31 December 2015 be approved.

(b) Maintenance 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 conclusion drawn from these reviews, the Audit and Risk Management 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 2016.

Remuneration Committee

The Board has devolved upon the Remuneration Committee the authority to formulate 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. The Remuneration Committee also draws up criteria for performance-based bonuses and makes recommendations to the Board on human resources related policies based on the Group's goals and objectives. Details of the terms of

reference, remuneration policies and work performed by the Remuneration Committee in 2015 are set out in the Remuneration Report on pages 104 to 107 of this Annual Report.

Nomination Committee

The Board has appointed the Nomination Committee to identify suitable candidates of a high calibre and with sufficient experience for its consideration, taking into account the Board Diversity Policy. The Nomination Committee ensures that the appointment of Directors undergoes formal, stringent and transparent procedures. All members of the Nomination Committee, including its chairman, 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.

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Attendance Records

The Directors' attendance at the Annual General Meeting, Special General Meeting, Board Meetings and Committee Meetings in 2015 is given below:

Members of the Board of Directors	Meetings Attended/Held						
	2015 AGM	2015 SGM	Board	Standing Committee	Audit and Risk Management Committee	Remuneration Committee	Nomination Committee
Independent Non-executive Directors							
Dr Norman LEUNG Nai Pang, <i>GBS, JP (Chairman)</i>	1/1	1/1	6/6	6/6			
Dr John CHAN Cho Chak, <i>GBS, JP (Deputy Chairman)</i>	1/1	1/1	6/6	6/6		2/2	1/1
Dr Eric LI Ka Cheung, <i>GBS, OBE, JP</i>	1/1	1/1	6/6		2/2	2/2	1/1
Mr Gordon SIU Kwing Chue, <i>GBS, CBE, JP</i>	1/1	1/1	6/6		2/2		1/1
Professor LIU Pak Wai, <i>SBS, JP</i>	1/1	1/1	6/6			2/2	
Non-executive Directors							
Mr Raymond KWOK Ping Luen, <i>JP (with Ms Susanna WONG Sze Lai, as alternate)</i>	0/1	0/1	0/6	6/6			
Mr NG Siu Chan <i>(with Ms Winnie NG as alternate)</i>	1/1	1/1	4/6				
Mr William LOUEY Lai Kuen	1/1	1/1	6/6				
Ms Winnie NG	1/1	1/1	6/6	6/6			
Mr John Anthony MILLER, <i>SBS, OBE</i>	1/1	1/1	6/6		2/2		
Mr Allen FUNG Yuk Lun	1/1	1/1	5/6				
Mr Edmond HO Tat Man	1/1	1/1	6/6				
Executive Directors							
Mr Roger LEE Chak Cheong <i>(Managing Director)</i>	1/1	1/1	6/6	6/6			
Mr Charles LUI Chung Yuen, <i>M.H.</i>	1/1	1/1	5/6	4/6			
Mr Evan AU YANG Chi Chun <i>(Deputy Managing Director)</i>	1/1	1/1	6/6				
Alternate Directors							
Ms Winnie NG <i>(Alternate Director to Mr NG Siu Chan)</i>			2/2				
Ms Susanna WONG Sze Lai <i>(Alternate Director to Mr Raymond KWOK Ping Luen, JP) (Note 1)</i>			1/1				
Mr Godwin SO Wai Kei <i>(Alternate Director to Mr Raymond KWOK Ping Luen, JP) (Note 2)</i>	1/1	1/1	5/5				
In attendance							
External Auditors	1/1	1/1			2/2		

Notes:

1. Served as Alternate Director to Mr Raymond KWOK Ping Luen with effect from 1 December 2015.
2. Served as Alternate Director to Mr Raymond KWOK Ping Luen until 1 December 2015.
3. Particulars of the 2015 AGM and 2015 SGM are set out on pages 101 and 102 of this Annual Report.

The Board held six meetings in 2015, which exceeded the minimum of four board meetings a year 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

The Senior Management Team is responsible for implementing the strategies and day-to-day management of the Group's businesses. It is under continual supervision of the Board and the corresponding Board Committees. 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 abreast of 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 fellow member of The Hong Kong Institute of Chartered Secretaries. She is responsible for ensuring that the Board's policy and procedures and all applicable rules and regulations are complied with by each and every Director. She is also responsible for advising the Board on all corporate governance matters and 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 2015, the Company Secretary underwent over 15 hours of professional training to update her skills and knowledge.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for the preparation of the Group's financial statements. It ensures that a true and fair view of the financial status of the Group is given 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 also extends to the accuracy and sufficiency of the content of 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 2015 given on pages 126 to 191 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 and Risk Management Committee of the Company, together with senior 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 2015.

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. It is duty bound to safeguard the Group's assets and stakeholders' interests, minimise operational system risks, and provide reasonable assurance against material misstatement of information (whether financial or non-financial). Stringent internal control measures are implemented at all levels of the Group in order to ensure effective monitoring of its day-to-day operations.

The Audit and Risk Management Committee is delegated by the Board with the responsibility of maintaining and reviewing the effectiveness of the internal controls and risk management system and determining the nature and extent of any significant risks. With the assistance of the external auditors and the Internal Audit Department, the Audit and Risk Management Committee provides strong assurance regarding the quality and effectiveness of our control practices.

Control Environment

A comprehensive internal control framework is an integral part of corporate governance. Such a framework should clearly set out the areas of authority and responsibility, maintain a risk management system, support a culture of integrity and promote high ethical standards at both management and staff levels.

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The Group has a well-defined organisational structure with succinct 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 the corresponding operating and business units. Senior 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 benchmarks for monitoring implementation results. The Board and the Audit and Risk Management Committee oversee management performance and monitor the effectiveness of the internal controls. Ad-hoc or unprecedented issues are handled by specialised board committees and cross-departmental working committees which are established from time to time.

Internal Control Framework

The Group's Internal Control Framework is founded on the following components:

The Board

- maintaining a sound and effective internal control system
- monitoring the performance of the Internal Control Framework
- setting high ethical and moral standards and monitoring management compliance with these standards.

The Audit and Risk Management Committee

- providing directives for the design and implementation of a sound and effective internal control system
- overseeing the risk management and internal control systems
- reviewing the Company's statement of internal control systems prior to its endorsement by the Board

- ensuring the independence and transparency of the internal audit function
- studying audit plans and ensuring that the findings of the Internal Audit Department are properly addressed by management
- promoting coordination between the internal and external auditors.

Management

- cooperating with and supporting the work of the Internal Audit Department
- designing, implementing and maintaining an effective internal control system
- performing the central role in monitoring the Group's Quality Management System
- supervising staff to ensure that they carry out their duties in accordance with the requirements of internal control practices.

The Internal Audit Department

- formulating action plans to monitor the effectiveness of the internal control system
- working with various operating units and monitoring their compliance with internal control practices
- conducting robust reviews and stringent testing of the internal control system and making recommendations for improvement
- reporting directly to the Audit and Risk Management Committee on a periodic basis
- providing independent and objective assurance of the effectiveness of the internal control practices.

Quality Management System

KMB, LWB and Sun Bus Limited (“SBL”), three major subsidiaries of the Group, have implemented an effective and efficient quality management system (“QMS”) based on the benchmarks prescribed by the International Organisation for Standardisation (“ISO”). All three companies have 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 QMS enables the Group to respond to the risks inherent in its operations through effective control practices.

A systematic and well-structured QMS 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 of and compliance with QMS. The management proactively and continually formulate and implement improvement plans to enhance QMS in 2015.

The Hong Kong Quality Assurance Agency (“HKQAA”), conducts an annual independent audit of QMS to assess its effectiveness, efficiency and conformity. As and when HKQAA identifies areas for improvement during the course of an ISO audit, it will make recommendations for the management to consider with a view to taking appropriate follow-up action in a timely manner as necessary. No non-conformity in QMS was found in the ISO audits of KMB, LWB and SBL.

Enterprise Risk Management

Senior management is mindful of the various types of risk that face the Group, including strategic, compliance, operational and financial risks. In order to achieve our business objectives, the Group has developed a risk management framework to proactively identify risks facing the business. The Group’s risk management framework, which has been designed with reference to the framework issued by the Committee of Sponsoring Organisations of the Treadway Commission in May 2013 (“COSO 2013 Framework”), involves identifying potential risks and opportunities that are relevant to the Group’s objectives, evaluating them using appropriate qualitative and quantitative techniques, and formulating risk response plans (accept, reduce, mitigate and avoid) that are consistent with the Group’s risk appetite. Relevant risk concern is communicated to senior management on a regular basis for effective monitoring of the Group’s risk management process and achievement of its business objectives. To ensure that the risk management process is consistent with best practices, the Group engaged an external consultant in the fourth quarter of 2015 to review the existing practices, and their suggestions will be incorporated into the Group’s risk management framework in due course.

The risk management process is illustrated as follows:



CORPORATE GOVERNANCE REPORT

Business Continuity Plan

KMB, being the Group's flagship subsidiary, has formulated and documented a Business Continuity Plan ("BCP"), which is reviewed and updated from time to time according to changes in circumstances. BCP, which is 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 and by resuming KMB's critical business functions at acceptable pre-defined levels. 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 led by the Managing Director is in place to see that effective management will be maintained in the event of any contingency.

Business Ethics

Integrity and honourable business ethics are foundational to the continued success of the Group. The Group's internal control environment is built on a culture of moral consciousness, high ethical values and management integrity. All directors or employees are prohibited 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 bound 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 by members of the public while carrying out their daily duties, instructions from the management regarding the proper way to proceed must be sought.

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 and Risk Management Committee to deal with concerns related to fraudulent or unethical acts or instances of non-compliance with the law or with the Group's policies that have or could have a significant adverse financial, legal or reputational impact on the Group. The Group will respond to all such concerns expressed fairly and properly.

The Audit and Risk Management 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 and Risk Management 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 major role of monitoring internal governance of the Group is played by the Internal Audit Department. It is responsible for providing the Audit and Risk Management 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.

The Internal Audit Department scrupulously reviewed every inherent risk associated with each key business process and diligently evaluated the internal controls to mitigate these risks. It checked compliance of the internal controls, and carried 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. Corrective measures and potential improvement opportunities were recommended to enhance the internal control system.

The Head of the 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. The Head of the Internal Audit Department reports directly to the Audit and Risk Management Committee and the Managing Director to ensure the independence of the internal audit function of the Group.

In 2015, the Internal Audit Department performed the following functions, among others:

- 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 and Risk Management Committee and the Managing Director;
- Reviewing critical areas of concern identified by senior management or the Audit and Risk Management 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 and the report of the Company Secretary on the Group's whistleblowing policy, the Audit and Risk Management 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 and Risk Management 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 2015.

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

The Company is fully aware of its obligations under the Listing Rules and the Securities and Futures Ordinance. It has a suite of procedures and internal control measures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group. All members of the Board, senior management and nominated executives, who are likely to have access to price-sensitive and/or inside information because of their office or employment in the Company or a subsidiary, are bound by the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules. In addition, 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 a crucial role in ensuring the integrity of the disclosure of financial information. If during the course of their review of the Company's interim financial report and their audit of the Company's annual financial statements, the external auditors discover any major irregularities, they will report their findings directly to the Audit and Risk Management Committee and the Board. The external auditors are invited to attend meetings of the Audit and Risk Management Committee, as well as the Annual General Meeting.

The Audit and Risk Management 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 and Risk Management Committee of their independent status.

CORPORATE GOVERNANCE REPORT

The Company engaged KPMG as its external auditors to audit the financial statements of the Company for the year ended 31 December 2015. KPMG has formally confirmed in writing to the Audit and Risk Management Committee that for the year ended 31 December 2015 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 2015 are set out below:

	HK\$ million
Audit related services	7.6
Non-audit related services (Note)	0.5
Total	8.1

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

As at 31 December 2015, the shareholding distribution of the Company was as follows:

Size of registered shareholding	Number of shareholders	% of shareholders	Number of shares (Note)	% of issued share capital
0-1,000	1,416	34.81	458,538	0.11
1,001-5,000	1,552	38.15	3,669,707	0.91
5,001-10,000	468	11.50	3,551,840	0.88
10,001-100,000	521	12.81	15,400,112	3.82
Above 100,000	111	2.73	380,559,216	94.28
	4,068	100.00	403,639,413	100.00

Note: 42.21% of all TIH's issued shares were held through CCASS.

Based on information that is publicly available to the Company and the Directors, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2015.

Shareholder Communications Policy

Transparency is the cornerstone of good corporate governance. The Board has formulated a Shareholder Communications Policy to provide shareholders with information about the Company to enable them to engage with the Company and exercise their rights as shareholders in an informed manner. The Shareholder Communications

ENGAGEMENT WITH STAKEHOLDERS

Shareholders

The Company had 4,068 registered shareholders as at 31 December 2015. The Shareholders comprise individual shareholders, institutional investors plus people and organisations holding shares 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 2015 are disclosed in the Report of the Directors on page 121 of this Annual Report. The largest single shareholder of the Company is Sun Hung Kai Properties Limited, which retains an equity interest of about 34.0% in the Company.

Policy is posted on the Company's website and is reviewed regularly to ensure its effectiveness. The Company adopts various communication channels, including press releases, announcements, interim and annual reports, and circulars, to convey its messages to its 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) 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

The annual report is a unique source of information for shareholders and other stakeholders who wish to understand the business of the Group. Senior management endeavours to make it informative, comprehensible and transparent, with a sufficient 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 print version (in English, Chinese or both languages) or the electronic version. In the interests of environmental preservation and economy, the Company encourages its 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 are at liberty to 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.

Over the years, the Company's annual reports have won widespread recognition in local and international award programmes. In 2015, the Company won the following prestigious awards:

- Gold Award in the Best Corporate Governance Disclosure Awards (Non-Hang Seng Index: Mid-to-small Market Capitalisation) organised by the Hong Kong Institute of Certified Public Accountants;
- Silver Award for Interior Design and Bronze Award for Photographs in the International ARC Awards; and
- Citation for Design in the 2015 Hong Kong Management Association ("HKMA") Best Annual Reports Awards.

The Company's General Meetings

The Directors consider the Company's general meetings an important way in which they can communicate with shareholders. The annual general meetings or other general meetings are normally attended by all Directors and senior management as well as by the Company's external auditors so that any comments or questions raised by shareholders can be addressed.

Shareholders' control over the Company is primarily exercised through their voting rights at general meetings. All voting is conducted by poll at general meetings so that each shareholder is entitled to one vote. Separate resolutions are proposed for each 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.

Annual General Meeting

The 2015 AGM was held on 21 May 2015 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 2014;
- Approval of an ordinary final dividend of HK\$0.75 per share for the year ended 31 December 2014;
- Re-election of 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 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 2015 AGM were published on the websites of the Company and the Stock Exchange on 21 May 2015.

CORPORATE GOVERNANCE REPORT

Special General Meeting

A Special General Meeting was held on 21 May 2015 ("2015 SGM") in which it was resolved that the purchase contracts dated 13 April 2015 entered into (i) between KMB and Alexander Dennis (Asia Pacific) Limited ("ADL Asia") for the purchase of 126 12-metre Enviro 500 double-deck buses and 100 12.8-metre Enviro 500 double-deck buses; and (ii) between LWB and ADL Asia for the purchase of 21 12-metre Enviro 500 double-deck buses and 39 12.8-metre Enviro 500 double-deck buses were approved.

The details and poll voting results of the 2015 SGM were published on the websites of the Company and the Stock Exchange on 21 May 2015.

The 2016 Financial Calendar of the Company is set out as follows:

Announcement of 2015 final results	24 March 2016
Dispatch of 2015 Annual Report and accompanying circular to shareholders	19 April 2016
Last day to register transfer to qualify to attend and vote at the 2016 AGM	18 May 2016
Book closure for 2016 AGM (both dates inclusive)	19 May 2016 – 26 May 2016
Date of 2016 AGM	26 May 2016
Last day to register transfer to qualify for 2015 final dividend	31 May 2016
Book closure for 2015 final dividend	1 June 2016
Payment of 2015 final dividend	8 July 2016
Announcement of 2016 interim results	mid-August 2016
Payment of 2016 interim dividend	mid-October 2016
Financial year end date	31 December 2016

Shareholders' Right

Under the Company's Bye-laws, shareholders holding at least 10% 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. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, 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 are entitled to 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

Enquiries from shareholders can be sent to the attention of the Board. All enquiries should be addressed to the Board or the 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. The Company Secretary will respond to such enquiries within a reasonable time.

Constitutional Documents

An up-to-date 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 2015.



TIH's management is firmly based on good corporate governance

General Public

The Group use the following communication channels to keep the general public informed of its developments:

Website – The Company's website www.tih.hk offers a wide range of information about the Group and its various businesses for shareholders and other interested parties.

Media and Online Communication – 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. Social media such as Facebook and YouTube are also used to publicise KMB's initiatives and achievements, as well as to gather useful feedback from the public. In December 2015, the KMB Instagram account "KMBHONGKONG" was launched, providing Instagram users with a platform to communicate and share photos on topics related to KMB.

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

In 2015, the KMB website received the Triple Gold Award (Gold Award for three consecutive years) and the Most Favourite Website Award from the Office of the Government Chief Information Officer and the Equal Opportunities Commission.

KMB publications may be accessed on its website www.kmb.hk, together with regular updates on corporate, financial and media matters relating to the Group.

Employees

Interactive communication between management and staff is essential in terms of efficiency and morale. The Group's staff website is an effective 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. Our corporate magazine KMB Today keeps employees, especially frontline staff, informed of news and events relating to the Group and the industry.

The Staff Handbook, which is accessible on the staff website, sets out the Company's human resources policies as well as employment guidelines.

