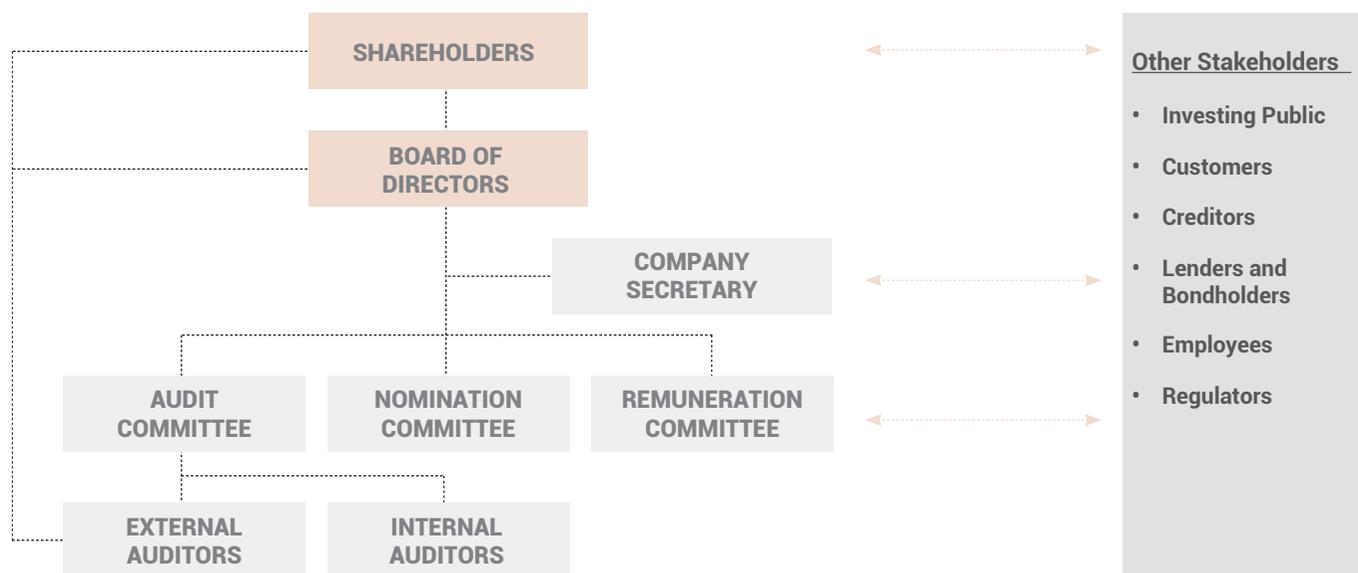


Corporate Governance Report

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2014, all the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") then in force, were met by the Company, with the exception of two deviations as set out under sections A.2.1 and F.1.3 respectively.

The application of the relevant principles and the reasons for the abovementioned deviations from the Code provisions are stated in the relevant sections below. Key corporate governance principles and corporate governance practices of the Company during the financial year are summarised below:

I. Code Provisions

Code Ref.	Code Provisions
A.	DIRECTORS
A.1	<p>The Board</p> <p><i>Corporate Governance Principle</i></p> <p><i>The board should assume responsibility for its leadership and control and is collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the company.</i></p> <p><i>The board should regularly review the contribution required from a director to perform his responsibilities to the company, and whether he is spending sufficient time performing them.</i></p>
Compliance Status	Corporate Governance Practices
✓✓ Exceed Requirement	<p>Four regular meetings of the board of directors of the Company (the "Board") were held during the financial year ended 31 December 2014, all of which were attended by the large majority of the directors of the Company (the "Directors") entitled to attend. Please refer to the table set out on page 95 for details of the attendance records of the Directors.</p> <p>The Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association.</p>

	<p>All Directors are consulted as to whether they may want to include any matter in the agenda before the agenda for each regular Board meeting is issued.</p> <p>One month formal notice would be given before each regular meeting and reasonable notices are given for all other ad hoc meetings.</p> <p>The company secretary of the Company ("Company Secretary") prepares minutes and/or written resolutions and keeps records of matters discussed and decisions resolved at all Board and Board Committee meetings.</p> <p>Board and Board Committee minutes/resolutions are sent to all Directors/Board Committee members for their comments and record within a reasonable time after each Board and Board Committee meeting.</p> <p>Board and Board Committee minutes/resolutions are available for inspection by Directors/Board Committee members. Final version of Board minutes is put on record within a reasonable time after the Board meeting.</p> <p>Minutes record in sufficient details of the matters considered by the Board/Board Committees and decisions reached.</p> <p>The Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.</p> <p>Important matters are decided by Directors by way of resolutions passed at Directors' meetings, or, on some occasions, dealt with by way of written resolutions so that all Directors (including Independent Non-executive Directors ("INEDs")) can note and comment, as appropriate, the matters before approval is granted.</p> <p>Under the Company's Articles of Association, a Director shall not vote or be counted in the quorum in respect of any contract or arrangement in which he/she or any of his/her associate(s) is/are materially interested.</p> <p>The Company has arranged appropriate insurance cover of Directors' and Officers' liability.</p>
Code Ref.	Code Provisions
A.2	Chairman and Chief Executive <i>Corporate Governance Principle</i>
	<i>There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of business. There should be a clear division of responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	<p>The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and also in his capacity as <i>de facto</i> chief executive, he directly has responsibilities in certain major business units of the Group.</p> <p>The Executive Directors have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to the Chairman.</p> <p>With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive accurate, clear, adequate and reliable information on a timely basis.</p> <p>The Chairman takes into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda. The Chairman may delegate this responsibility to a designated director or the Company Secretary.</p> <p>The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established.</p>

	<p>The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and takes the lead to ensure that it acts in the best interests of the Company. The Chairman encourages Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.</p> <p>The Chairman ensures that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.</p> <p>The Chairman promotes a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.</p> <p>The Chairman at least annually holds meetings with Non-executive Directors (including INEDs) without the executive directors present.</p>
Code Ref.	Code Provisions
A.2.1	<i>The roles of chairman and chief executive should be separate and should not be performed by the same individual.</i>
Compliance Status	Corporate Governance Practices
X Not Comply with Requirement	Hon Peter K C Woo serves as the Chairman and also as the <i>de facto</i> chief executive of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being INEDs.
Code Ref.	Code Provisions
A.3	Board composition <i>Corporate Governance Principle</i>
	<i>The board should have a balance of skills, experience and diversity of perspective appropriate for the requirements of the Company's business and should include a balanced composition of executive and non-executive directors so that independent judgement can effectively be exercised.</i>
Compliance Status	Corporate Governance Practices
✓✓ Exceed Requirement	<p>The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of the Directors in office during the year:</p> <p><i>Chairman</i> Hon Peter K C Woo</p> <p><i>Deputy Chairman & Managing Director</i> Mr Stephen T H Ng</p> <p><i>Vice Chairman</i> Mr Andrew O K Chow</p> <p><i>Executive Director</i> Ms Doreen Y F Lee Mr T Y Ng (<i>retired on 31 December 2014</i>)</p> <p><i>Executive Director & Group Chief Financial Officer</i> Mr Paul Y C Tsui</p> <p><i>Director</i> Ms Y T Leng</p>

	<p><i>Independent Non-executive Directors</i> Mr Alexander S K Au Professor Edward K Y Chen Dr Raymond K F Ch'ien Hon Vincent K Fang Mr Hans Michael Jebsen Mr Wyman Li Mr James E Thompson (<i>retired on 9 June 2014</i>) Mr David M Turnbull Professor Eng Kiong Yeoh (<i>appointed effective from 1 July 2014</i>)</p> <p>The Directors' biographical information is set out on pages 109 to 112.</p> <p>As at the date of this Corporate Governance Report, the Board consists of a total of fourteen Directors, comprising eight INEDs.</p> <p>The structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company. The independence of the INEDs is assessed according to the relevant rules and requirements under the Listing Rules.</p> <p>The composition of the Board, by category and position of Directors including the names of the Chairman, the Deputy Chairman and Managing Director, the Vice Chairman, the Executive Directors, the INEDs, is disclosed in all corporate communications.</p> <p>The Company maintains on its corporate website and on the Stock Exchange's website an updated list of Directors identifying their roles and functions and whether they are INEDs.</p>
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Code Ref. Code Provisions

A.4	<p>Appointments, re-election and removal <i>Corporate Governance Principle</i></p> <p><i>There should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.</i></p>
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Compliance Status Corporate Governance Practices

<p>✓ Comply with Requirement</p>	<p>All Directors, including the INEDs, are subject to retirement once every three years and are subject to re-election.</p> <p>The Board as a whole is responsible for the appointment of new Directors and Directors' nomination for re-election by shareholders at the general meeting of the Company. Under the Company's Articles of Association, the Board may from time to time appoint a Director either to fill a casual vacancy or as an addition to the Board. Any such new Director shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at the same general meeting.</p> <p>Each of the INEDs makes an annual confirmation of independence pursuant to the requirements of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in the relevant requirements of the Listing Rules and are independent in accordance with the terms of the guidelines.</p> <p>Non-executive Directors have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors.</p> <p>The re-election of each of those INEDs who has served on the Board for more than nine years is subject to (1) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (2) further information being given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.</p>
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Code Ref. Code Provisions

A.5 **Nomination Committee**

Compliance Status Corporate Governance Practices

<p>✓ Comply with Requirement</p>	<p>In accordance with the Code, the Company has set up a nomination committee (the "NC") with the majority of its members being INEDs. The NC comprises the Chairman of the Company, namely, Hon Peter K C Woo (as the chairman of the NC), and two INEDs, namely, Mr Hans Michael Jebsen, Mr James E Thompson (<i>retired on 9 June 2014</i>) and Mr David M Turnbull (<i>appointed effective from 9 June 2014</i>).</p> <p>The terms of reference of the NC are aligned with the Code provisions set out in the Code. The NC is principally responsible for nominating candidates, for the Board's approval, to fill Board vacancies as and when they arise. Given below are the main duties of the NC:</p> <ul style="list-style-type: none"> (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) to assess the independence of INEDs; and (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive. <p>The roles and authorities of the NC are set out in its terms of reference which are available at the Company's corporate website at www.wharfholdings.com.</p> <p>During the year ended 31 December 2014, decisions to nominate the appointment of a INED, namely, Professor Eng Kiong Yeoh, was taken by way of circulated resolutions and the NC had not conducted any meeting.</p> <p>For the nomination by the Board of Professor Eng Kiong Yeoh to stand for re-election as INED at the Annual General Meeting in 2014, explanatory statements were included in the circular accompanying the relevant notice of meeting to set out the reasons why the Board consider him to be independent.</p> <p>The Board has adopted the Board Diversity Policy during the year. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element of its strategic goals. Appointments of directors are made on merits having due regard for the benefits of diversity on the Board.</p> <p>At present, more than half of the directors on the Board are INEDs. They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds, spanning property development and investment, media and communications, banking, logistics and transportation, health services, academician and entrepreneurship. They also hold or have held important public service positions in Hong Kong and China, covering business, industry and commerce, sports, educations, regulatory and politics.</p> <p>The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.</p>
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Code Ref.	Code Provisions																														
A.6	Responsibilities of directors <i>Corporate Governance Principle</i> <i>Every director must always know his/her responsibilities as a director of the company and its conduct, business activities and development.</i>																														
Compliance Status	Corporate Governance Practices																														
✓ Comply with Requirement	<p>Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.</p> <p>The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group.</p> <p>The Company has also arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues. Since January 2012, all Directors have been required to provide training records to the Company and the training records have been maintained by the Company Secretary.</p> <p>According to the records of training maintained by the Company Secretary, all the current Directors have, during the financial year under review, pursued continuous professional development and relevant details are set out below:</p> <table border="1"> <thead> <tr> <th>Directors</th> <th>Type of training <i>(See Remarks)</i></th> </tr> </thead> <tbody> <tr><td>Hon Peter K C Woo</td><td>B</td></tr> <tr><td>Mr Stephen T H Ng</td><td>A, B</td></tr> <tr><td>Mr Andrew O K Chow</td><td>A, B</td></tr> <tr><td>Ms Doreen Y F Lee</td><td>A, B</td></tr> <tr><td>Mr Paul Y C Tsui</td><td>A, B</td></tr> <tr><td>Ms Y T Leng</td><td>A, B</td></tr> <tr><td>Mr Alexander S K Au</td><td>A, B</td></tr> <tr><td>Professor Edward K Y Chen</td><td>A, B</td></tr> <tr><td>Dr Raymond K F Ch'ien</td><td>A, B</td></tr> <tr><td>Hon Vincent K Fang</td><td>A, B</td></tr> <tr><td>Mr Hans Michael Jebsen</td><td>A, B</td></tr> <tr><td>Mr Wyman Li</td><td>A, B</td></tr> <tr><td>Mr David M Turnbull</td><td>A, B</td></tr> <tr><td>Professor Eng Kiong Yeoh <i>(appointed effective from 1 July 2014)</i></td><td>B</td></tr> </tbody> </table> <p><i>Remarks:</i> A: attending seminars and/or conferences and/or forums B: reading journals, updates, articles and/or materials, etc</p> <p>The INEDs exercise their independent judgement and advise on the future business direction and strategic plans of the Company.</p> <p>The INEDs review the financial information and operational performance of the Company on a regular basis.</p> <p>The INEDs are invited to serve on the Board Committees of the Company.</p>	Directors	Type of training <i>(See Remarks)</i>	Hon Peter K C Woo	B	Mr Stephen T H Ng	A, B	Mr Andrew O K Chow	A, B	Ms Doreen Y F Lee	A, B	Mr Paul Y C Tsui	A, B	Ms Y T Leng	A, B	Mr Alexander S K Au	A, B	Professor Edward K Y Chen	A, B	Dr Raymond K F Ch'ien	A, B	Hon Vincent K Fang	A, B	Mr Hans Michael Jebsen	A, B	Mr Wyman Li	A, B	Mr David M Turnbull	A, B	Professor Eng Kiong Yeoh <i>(appointed effective from 1 July 2014)</i>	B
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Mr David M Turnbull	A, B																														
Professor Eng Kiong Yeoh <i>(appointed effective from 1 July 2014)</i>	B																														

Every Executive Director has hands-on knowledge and expertise in the areas and operation in which he/she is charged with. Appropriate attention to the affairs of the Company is measured in terms of time as well as the quality of such attention and the ability of the Directors to contribute with reference to his/her necessary knowledge and expertise.

The Company has established written guideline, no less exacting the Model Code under the Listing Rules, for all the staff regarding dealings in securities issued by the Group and its associated companies.

Each Director discloses to the Company at the time of his/her appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments with indication of relevant time commitment.

Individual attendance records of our Directors at Board meetings, Board Committees meetings and Annual General Meeting during the financial year ended 31 December 2014, are set out below:

Name of Directors	Numbers of Meetings (Attended/Eligible to attend)			
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Annual general meeting
Hon Peter K C Woo	4/4	n/a	2/2	1/1
Mr Stephen T H Ng	4/4	n/a	n/a	1/1
Mr Andrew O K Chow	4/4	n/a	n/a	1/1
Ms Doreen Y F Lee	4/4	n/a	n/a	1/1
Mr T Y Ng <i>(retired on 31 December 2014)</i>	3/4	n/a	n/a	1/1
Mr Paul Y C Tsui	4/4	n/a	n/a	1/1
Ms Y T Leng	4/4	n/a	n/a	1/1
Mr Alexander S K Au	3/4	3/4	n/a	1/1
Professor Edward K Y Chen	2/4	n/a	n/a	1/1
Dr Raymond K F Ch'ien	3/4	n/a	n/a	1/1
Hon Vincent K Fang	2/4	4/4	n/a	0/1
Mr Hans Michael Jebsen	2/4	2/4	2/2	1/1
Mr Wyman Li	4/4	2/2	0/1	1/1
Mr James E Thompson <i>(retired on 9 June 2014)</i>	1/2	1/2	1/1	0/1
Mr David M Turnbull	4/4	n/a	n/a	1/1
Professor Eng Kiong Yeoh <i>(appointed effective from 1 July 2014)</i>	2/2	n/a	n/a	n/a
Total No. of Meetings Held	4	4	2	1

A large majority of our INEDs attended the last Annual General Meeting of the Company held in June 2014, with absence of two INEDs, due to their other important engagements at the relevant time. Please refer to the table set out above for details of attendance records of all Directors at the last Annual General Meeting of the Company held in June 2014.

Code Ref.	Code Provisions
A.7	Supply of and access to information <i>Corporate Governance Principle</i> <i>Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	Board papers are circulated not less than three days before regular Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and the Group Financial Controller attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.

Code Ref.	Code Provisions
B.	REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION
B.1	The level and make-up of remuneration and disclosure <i>Corporate Governance Principle</i> <i>The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	The Company has set up a remuneration committee (the "RC") with majority of the members being INEDs. The RC comprises the Chairman of the Board, Hon Peter K C Woo and two INEDs, namely, Mr James E Thompson (<i>as the chairman of RC until his retirement on 9 June 2014</i>), Mr Hans Michael Jebesen (<i>appointed as the chairman of RC effective from 9 June 2014</i>) and Mr Wyman Li (<i>appointed effective from 9 June 2014</i>). The principal responsibilities of the RC include making recommendations to the Board on the Company's policy and structure for Directors and Senior Management remuneration, and reviewing the specific remuneration packages of all Executive Directors and Senior Management by reference to corporate goals and objectives resolved by the Board from time to time. The terms of reference of the RC are aligned with the Code provisions set out in the Code. Given below are the main duties of the RC: (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives; (c) either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

	(d) to make recommendations to the Board on the remuneration of non-executive Directors;
	(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
	(f) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
	(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
	(h) to ensure that no Director or any of his associates is involved in deciding his/her own remuneration; and
	(i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.
	The roles and authorities of the RC are set out in its terms of reference which are available at the Company's corporate website at www.wharfholdings.com .
	There were two RC meetings held during the financial year ended 31 December 2014. Please refer to the table set out on page 95 for the details of attendance of the RC members.
	The work performed by the RC, which has the delegated authority and responsibility, for the financial year ended 31 December 2014 is summarised below:
	(a) review of the Company's policy and structure for all remuneration of Directors and Senior Management;
	(b) consideration and approval of the emoluments for all Directors and Senior Management; and
	(c) review of the level of fees for Directors and Audit Committee (the "AC") Members.
	The RC has consulted the Chairman about proposals relating to the remuneration packages and other human resources issues of the Directors and Senior Management, including, without limitation, succession plan and key personnel movements as well as policies for recruiting and retaining qualified personnel.
	The basis of determining the emoluments payable to its Directors and Senior Management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the fee payable to the Chairman of the Company, currently at the rate of HK\$200,000 per annum (proposed to be increased to HK\$225,000 per annum with retroactive effect from 1 January 2015), the fee payable to each of the other Directors of the Company, currently at the rate of HK\$100,000 per annum (proposed to be increased to HK\$150,000 per annum with retroactive effect from 1 January 2015), and the fee payable to each of those Directors who are also Members of the Audit Committee of the Company, currently at the rate of HK\$50,000 per annum (proposed to be increased to HK\$75,000 per annum with retroactive effect from 1 January 2015), is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. In respect of the remuneration payable to the Senior Management, please refer to Note 2(b) to the financial statements on page 134 for details.
	To enable it to better advise on the Group's future remuneration policy and related strategies, the RC has been advised of the Group's existing remuneration policy and succession plan, such as guidelines on designing employees' remuneration packages and related market trends and information.
	The Personnel Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the RC.

Code Ref.	Code Provisions
C.	ACCOUNTABILITY AND AUDIT
C.1	Financial reporting <i>Corporate Governance Principle</i> <i>The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	<p>All Directors are provided with a review of the Group's major business activities and key financial information on a monthly basis.</p> <p>The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2014, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flows for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.</p> <p>In preparing the financial statements for the financial year ended 31 December 2014:</p> <ul style="list-style-type: none"> (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards; (ii) appropriate and reasonable judgements and estimates are made; and (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable. <p>The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the Code.</p> <p>The Directors are satisfied with the Group's performance on the basis that the Company generates or preserves value over the longer term (the business model) and delivers the Company's objectives as referred to in C.1.4 of the Code.</p> <p>With the assistance of the Company's Accounts Department which is under the supervision of the Group Financial Controller who is a professional accountant, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.</p> <p>The Directors also ensure the publication of the financial statements of the Group is in a timely manner.</p> <p>The statement by the external auditors of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 121.</p> <p>The Board aims to present a clear, balanced and understandable assessment of the Group's performance and position in all shareholder communications.</p> <p>The Board is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information or matters regarding the Company and will authorise the publication of such announcements as and when the occasion arises. The Company Secretary works closely and in consultation with legal advisers to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.</p>

Code Ref.	Code Provisions
C.2	Internal controls <i>Corporate Governance Principle</i> <i>The board should ensure that the company maintains sound and effective internal controls to safeguard shareholders' investment and the company's assets.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	<p>The Directors are ultimately responsible for the internal control system of the Group and, through the AC, have reviewed the effectiveness of the system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.</p> <p>Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.</p> <p>The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the AC. The external auditors have access to the full set of internal audit reports.</p> <p>A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, <i>inter alia</i>, resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function was conducted by the AC and subsequently reported to the Board during the financial year ended 31 December 2014. Based on the result of the review, in respect of the financial year ended 31 December 2014, the Directors considered that the internal control system and procedures of the Group were effective and adequate.</p>
Code Ref.	Code Provisions
C.3	Audit Committee <i>Corporate Governance Principle</i> <i>The board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the auditors.</i>
Compliance Status	Corporate Governance Practices
✓✓ Exceed Requirement	<p>Minutes drafted by the Company Secretary are circulated to members of the AC within a reasonable time after each meeting.</p> <p>The Company has set up an audit committee (the "AC") with all members being INEDs, namely, Hon Vincent K Fang (as its chairman), Mr Alexander S K Au, Mr Han Michael Jebsen, Mr James E Thompson (<i>retired on 9 June 2014</i>) and Mr Wyman Li (<i>appointed effective from 9 June 2014</i>).</p> <p>No member of the AC is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm. All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required.</p> <p>The terms of reference of the AC are aligned with provisions set out in the Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of AC:</p> <ul style="list-style-type: none"> (i) <i>Relationship with the Company's auditors</i> <ul style="list-style-type: none"> (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

(II) *Review of the Company's financial information*

- (a) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the AC should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (b) regarding (II) (a) above:
 - (i) members of the AC should liaise with the Company's Board and Senior Management and the AC must meet, at least twice a year, with the Company's auditors; and
 - (ii) the AC should consider any significant or unusual items that are, or may need to be, reflected in the report and financial statements, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

(III) *Oversight of the Company's financial reporting system and internal control procedures*

- (a) to review the Company's financial controls, internal control and risk management systems;
- (b) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (c) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (d) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (e) to review the Group's financial and accounting policies and practices;
- (f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

- (h) to report to the Board on the matters in the Code Provisions in the Listing Rules;
- (i) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (j) to act as the key representative body for overseeing the Company's relations with the external auditors; and
- (k) to consider other topics, as defined by the Board.

(IV) *Oversight of the Company's Corporate Governance Matters*

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and Senior Management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to consider other topics, as defined by the Board.

The roles and authorities of the AC, including those set out in the code provision of C.3.3 of the Code, were set out in its terms of reference which are available at the Company's corporate website at www.wharfholdings.com.

There were four AC meetings held during the financial year ended 31 December 2014. Please refer to the table set out on page 95 for the details of attendance of the AC members.

The work performed by the AC for the financial year ended 31 December 2014 is summarised below:

- (a) review of the annual audit plan of the external auditors before the audit commences, and discussion with them about the nature and scope of the audit;
- (b) approval of the remuneration and terms of engagement of the external auditors;
- (c) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;
- (d) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned C.3(II)(a) above regarding the duties of the AC;
- (e) review of the audit programme of the internal audit function;
- (f) review of the Group's financial controls, internal control and risk management systems;
- (g) meeting with the external auditors without executive Board members present;
- (h) review of the whistle-blowing cases and relevant investigation results;
- (i) review of the corporate governance matters and the relevant reports of the Group; and
- (j) review of and monitoring of the Group's compliance with legal and regulatory requirements.

	<p>The AC recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, KPMG be re-appointed as the Company's external auditor for 2015.</p> <p>For the financial year ended 31 December 2014, the external auditors of the Company received approximately HK\$23 million for audit services and HK\$2 million for tax and other services.</p> <p>The Company Secretary can arrange independent professional advice at the expense of the Company should the seeking of such advice be considered necessary by the AC.</p> <p>A Whistleblowing Policy & Procedures has been adopted by the Group, with the authority and responsibility being delegated to the AC. Such Whistleblowing Policy is for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Company Secretary, and any and all relevant complaints received may then be referred to the AC and/or the Managing Director and/or Group Chief Financial Officer about possible improprieties in any matter related to the Company.</p>
Code Ref.	Code Provisions
D.	DELEGATION BY THE BOARD
D.1	Management functions <i>Corporate Governance Principle</i>
	<i>The company should have a formal schedule of matters specifically reserved for board approval and those delegated to management.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.
Code Ref.	Code Provisions
D.2	Board Committees <i>Corporate Governance Principle</i>
	<i>Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	Three Board Committees, namely, Audit Committee, Remuneration Committee and Nomination Committee have been established with specific terms of reference as mentioned in C.3, B.1 and A.5 of above. Board Committees report to the Board of their decisions and recommendations at the Board meetings.
Code Ref.	Code Provisions
D.3	Corporate Governance Functions
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC includes various duties relating to corporate governance matters which are set out in paragraph "(IV) Oversight of the Company's Corporate Governance Matters" on page 101.

Code Ref.	Code Provisions
E.	COMMUNICATION WITH SHAREHOLDERS
E.1	Effective communication <i>Corporate Governance Principle</i>
	<i>The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	<p>The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals.</p> <p>The Company's notice to Shareholders for the 2014 Annual General Meeting ("2014 AGM") of the Company was sent at least 20 clear business days before the meeting.</p> <p>Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual Directors.</p> <p>The 2014 AGM of the Company was held on 9 June 2014 in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong. The Directors, including the Chairman of the Board, the Chairmen of the Board Committees attended the 2014 AGM, with exception that Hon Vincent K Fang being the chairman of the AC was absent due to other important engagement but was represented by other three AC members during the meeting. Please refer to the table set out on page 95 for the details of attendance of the Directors in the 2014 AGM. The external auditors of the Company, Messrs KPMG, attended the 2014 AGM, during which its representative read out the report of the auditors and was available to answer questions raised by the Shareholders.</p> <p>The Company recognises the fundamental importance of transparency and accountability. Management believes that Shareholders' value can best be enhanced by articulating the corporate strategies, business strengths and weaknesses, growth opportunities and threats, and future prospects through a continuous and active dialogue with the investment community, the media and the public. To achieve this, the Company is committed to providing Shareholders and the general public access to key information that is reasonably required to make an investment decision on a fair and timely basis.</p> <p>The Company is aware of its statutory obligations in relation to the disclosure of inside information which is likely to have a material price effect and has established procedures to ensure that all communications with the public, including the investment community and the media, are fair; and that material non-public information is not disseminated on a selective basis.</p> <p>The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Press releases are posted and available for download at the Company's corporate website www.wharfholdings.com. In addition, the Company makes full use of the Internet to make information broadly available to Shareholders. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.</p> <p>A Shareholders Communication Policy has been adopted by the Company to ensure that shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders and the investment community to engage actively with the Company.</p>

Code Ref.	Code Provisions
E.2	Voting by poll <i>Corporate Governance Principle</i> <i>The company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	Shareholders have the opportunity to participate effectively and vote in general meetings and are informed of the rules, including voting procedures, that govern general meetings: (a) Shareholders are furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meetings; (b) Shareholders have the opportunity to ask questions to the Board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations; (c) Effective shareholder participation in key corporate governance decisions; (d) Shareholders can make their view known on the remuneration policy for Board members and key executives; and (e) Shareholders can vote in person or by proxy, and equal effect is given to votes whether cast in person or by proxy. The Company has the following procedures to enable Shareholders to vote by poll: (a) All resolutions put to shareholders in general meetings are voted by a poll demanded by the Chairman at the beginning of the meetings. The circulars and notices of the general meetings express the Chairman's intention to call for voting by poll. (b) The Chairman or the Company Secretary explains the procedures for voting by poll to Shareholders and answer any questions from Shareholders before a poll is required to be conducted at the meetings. (c) The Company ensures votes cast are properly counted and recorded. Independent scrutineers are appointed to count the number of votes cast at general meetings. (d) Poll results are announced on the same day and also published on the Company's and the Stock Exchange's websites not later than the business day following the general meetings.

Code Ref.	Code Provisions
F.	Company Secretary <i>Corporate Governance Principle</i> <i>The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.</i>
Compliance Status	Corporate Governance Practices
✓ Comply with Requirement	The Company Secretary is an experienced employee of the Company and has day-to-day knowledge of the Company's affairs. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed. The Company Secretary has also played the role of coordinator to arrange for Directors' participation in the training sessions organised by the Company's auditors.

Code Ref.	Code Provisions
F.1.3	The company secretary should report to the board chairman and/or the chief executive
Compliance Status	Corporate Governance Practices
X Not Comply with Requirement	The Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement would in no way adversely affect the efficient discharge by the Company Secretary of his job duties.

MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

During the financial year ended 31 December 2014, the Company adopted its own set of code of conduct regarding directors' securities transactions (the "Company's Code") with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and/or the Company's Code during the financial year.

SHAREHOLDERS' RIGHTS

I. Convene an Extraordinary General Meeting

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO"), on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

II. Send Enquiries to the Board

The Company's corporate website (www.wharfholdings.com) provides email address (for enquiry purpose only), postal address, fax number and telephone number by which Shareholders may at any time address their enquiries to the Company's Board.

III. Make Proposals at General Meetings

- (i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's corporate website.
- (ii) The procedures for proposing resolution(s) to be moved at the Company's annual general meeting(s) are as follows:

Pursuant to Section 615 of the CO, Shareholder(s) can submit a written requisition to move a resolution at the Company's annual general meeting(s) if they represent:

- at least 2.5% of the total voting rights of all Shareholders who have a right to vote at the annual general meeting to which the requests relate; or
- at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The relevant written requisition must—

- (a) identify the resolution of which notice is to be given;
- (b) be authenticated by the person or persons making it; and
- (c) be received by the Company not later than 6 weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Any written requisitions from Shareholders to the Company pursuant to Sections 566 and 615 of the CO must be deposited at the Company's registered office (16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong).

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

In accordance with the CO which came into effect on 3 March 2014, the Company's memorandum of association is technically regarded to have ceased to be in existence and all provisions thereof are deemed to form part of the Company's articles of association by operation of laws. A special resolution for the adoption of a revised set of articles of association ("New Articles") for the purpose of, inter alia, keeping in line with the CO was passed by the Shareholders at the Annual General Meeting held on 9 June 2014. The set of New Articles is available at the Company's corporate website (www.wharfholdings.com).