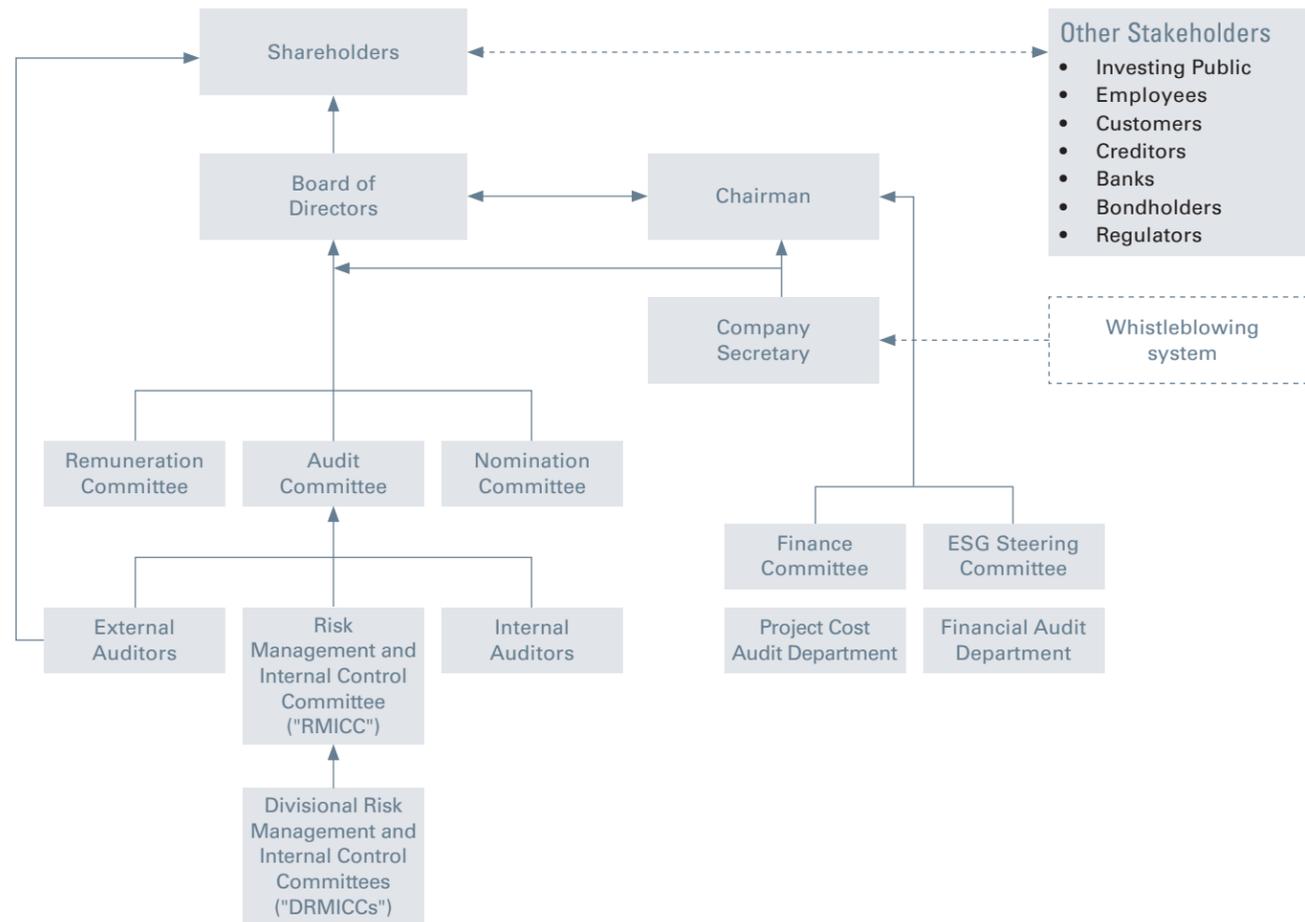


CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STRUCTURE

The Group's current corporate governance, risk management and internal control framework can be diagrammatically shown as below:



CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2015, 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 summarized below:

I. Code Provisions

Code Ref.	Code Provisions
A.	DIRECTORS
A.1	The Board <i>Corporate Governance Principle</i> <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> <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>
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 2015, 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 93 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 (the "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 detail 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>

CORPORATE GOVERNANCE REPORT

	<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 is/are materially interested.</p> <p>The Company has arranged appropriate insurance cover of Directors' and Officers' liability.</p>
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Code Ref.	Code Provisions
A.2	<p>Chairman and Chief Executive <i>Corporate Governance Principle</i></p> <p><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></p>

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 Managing Director, 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 of the Company (the "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
Not Comply with Requirement	<p>Hon Peter K C Woo, before his retirement on 15 May 2015, had served as the Chairman and also as the <i>de facto</i> chief executive of the Company and thereafter Mr Stephen T H Ng succeeded the chairmanship whilst retaining his role as the Managing Director 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 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 half of them being INEDs.</p>

Code Ref.	Code Provisions
A.3	<p>Board composition <i>Corporate Governance Principle</i></p> <p><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></p>

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>Ex-Chairman</i> Hon Peter K C Woo (<i>retired on 15 May 2015</i>)</p> <p><i>Chairman & Managing Director</i> Mr Stephen T H Ng (<i>designated on 15 May 2015</i>)</p> <p><i>Deputy Chairman</i> Mr Andrew O K Chow (<i>designated on 15 May 2015</i>)</p> <p><i>Vice Chairman</i> Ms Doreen Y F Lee (<i>designated on 15 May 2015</i>)</p> <p><i>Vice Chairman & Group Chief Financial Officer</i> Mr Paul Y C Tsui (<i>designated on 15 May 2015</i>)</p> <p><i>Directors</i> Ms Y T Leng Mr K P Chan (<i>appointed effective from 15 May 2015</i>)</p> <p><i>Independent Non-executive Directors</i> Mr Alexander S K Au Professor Edward K Y Chen Hon Vincent K Fang Mr Hans Michael Jebesen Mr David M Turnbull Professor E K Yeoh Dr Raymond K F Ch'ien (<i>resigned on 1 January 2016</i>) Mr Wyman Li (<i>resigned on 2 September 2015</i>)</p>

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions
A.4	<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 twelve Directors, comprising six 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 and Managing Director, the Deputy Chairman, the Vice Chairmen, 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>

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>
Compliance Status	Corporate Governance Practices
Comply with Requirement	<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 ("Annual General Meeting") (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>

Code Ref.	Code Provisions
A.5	<p>Nomination Committee</p>
Compliance Status	Corporate Governance Practices
Comply with Requirement	<p>In accordance with the Code, the Company has set up a nomination committee (the "Nomination Committee") with the majority of its members being INEDs. The Nomination Committee comprises the Chairman and Managing Director of the Company, namely, Mr Stephen T H Ng (the chairman of the Nomination Committee), and two INEDs, namely, Mr Hans Michael Jebsen and Mr David M Turnbull.</p> <p>The terms of reference of the Nomination Committee are aligned with the Code provisions set out in the Code. The Nomination Committee 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 Nomination Committee:</p> <ol style="list-style-type: none"> 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; 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; to assess the independence of INEDs; and 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 Nomination Committee 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 2015, no Nomination Committee meeting was held and the decisions recommended by the Nomination Committee by way of resolutions in writing are summarized below:</p> <ol style="list-style-type: none"> the relinquishment of Hon Peter K C Woo from the office of Chairman and the appointment of Mr Stephen T H Ng as the succeeding Chairman effective from 15 May 2015; the re-designations of Mr Andrew O K Chow as the Deputy Chairman, and Mr Paul Y C Tsui and Ms Doreen Y F Lee as the Vice Chairmen effective from 15 May 2015; and the appointment of Mr K P Chan as a Director effective from 15 May 2015. <p>The Board has adopted the Board Diversity Policy in 2014. Under the Policy, the Company recognizes 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, half of the Directors on the Board are INEDs. They represent diverse career experiences in both international and local enterprises. They bring with them diverse professional backgrounds, spanning property development and investment, banking, logistics and transportation, health services, academia and entrepreneurship. They also hold or have held important public service positions in Hong Kong and China, covering business, industry and commerce, 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>

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions																										
A.6	<p>Responsibilities of directors <i>Corporate Governance Principle</i></p> <p><i>Every director must always know his/her responsibilities as a director of the company and its conduct, business activities and development.</i></p>																										
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.</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 an 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 trainings (See Remarks)</th> </tr> </thead> <tbody> <tr><td>Mr Stephen T H Ng</td><td>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 K P Chan (appointed effective from 15 May 2015)</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>Hon Vincent K Fang</td><td>A, B</td></tr> <tr><td>Mr Hans Michael Jebesen</td><td>A, B</td></tr> <tr><td>Mr David M Turnbull</td><td>B</td></tr> <tr><td>Professor E K Yeoh</td><td>A, B</td></tr> </tbody> </table> <p>Remarks: 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> <p>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.</p>	Directors	Type of trainings (See Remarks)	Mr Stephen T H Ng	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 K P Chan (appointed effective from 15 May 2015)	A, B	Mr Alexander S K Au	A, B	Professor Edward K Y Chen	A, B	Hon Vincent K Fang	A, B	Mr Hans Michael Jebesen	A, B	Mr David M Turnbull	B	Professor E K Yeoh	A, B
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Mr David M Turnbull	B																										
Professor E K Yeoh	A, B																										

	<p>The Company has established written guideline, no less exacting the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 of the Listing Rules, for all the staff regarding dealings in securities issued by the Group and its associated companies.</p> <p>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.</p> <p>Individual attendance records of our Directors at Board meetings, Board Committees meetings and Annual General Meeting during the financial year ended 31 December 2015, are set out below:</p>																																																																																									
	<table border="1"> <thead> <tr> <th rowspan="2">Name of Directors</th> <th colspan="4">Numbers of Meetings (Attended/Eligible to attend)</th> </tr> <tr> <th>Board meeting</th> <th>Audit Committee meeting</th> <th>Remuneration Committee meeting</th> <th>Annual General Meeting</th> </tr> </thead> <tbody> <tr><td>Hon Peter K C Woo <i>(retired on 15 May 2015)</i></td><td>2/2</td><td>n/a</td><td>1/1</td><td>1/1</td></tr> <tr><td>Mr Stephen T H Ng</td><td>4/4</td><td>n/a</td><td>n/a</td><td>1/1</td></tr> <tr><td>Mr Andrew O K Chow</td><td>3/4</td><td>n/a</td><td>n/a</td><td>1/1</td></tr> <tr><td>Ms Doreen Y F Lee</td><td>4/4</td><td>n/a</td><td>n/a</td><td>1/1</td></tr> <tr><td>Mr Paul Y C Tsui</td><td>4/4</td><td>n/a</td><td>n/a</td><td>1/1</td></tr> <tr><td>Ms Y T Leng</td><td>4/4</td><td>n/a</td><td>n/a</td><td>1/1</td></tr> <tr><td>Mr K P Chan <i>(appointed effective from 15 May 2015)</i></td><td>1/2</td><td>n/a</td><td>n/a</td><td>n/a</td></tr> <tr><td>Mr Alexander S K Au</td><td>4/4</td><td>4/4</td><td>n/a</td><td>1/1</td></tr> <tr><td>Professor Edward K Y Chen</td><td>3/4</td><td>n/a</td><td>n/a</td><td>1/1</td></tr> <tr><td>Dr Raymond K F Ch'ien <i>(resigned with effect from 1 January 2016)</i></td><td>1/4</td><td>n/a</td><td>n/a</td><td>1/1</td></tr> <tr><td>Hon Vincent K Fang</td><td>3/4</td><td>3/4</td><td>n/a</td><td>1/1</td></tr> <tr><td>Mr Hans Michael Jebesen</td><td>2/4</td><td>1/4</td><td>1/1</td><td>0/1</td></tr> <tr><td>Mr Wyman Li <i>(resigned with effect from 2 September 2015)</i></td><td>0/3</td><td>2/3</td><td>1/1</td><td>0/1</td></tr> <tr><td>Mr David M Turnbull</td><td>4/4</td><td>n/a</td><td>n/a</td><td>1/1</td></tr> <tr><td>Professor E K Yeoh</td><td>3/4</td><td>1/1</td><td>n/a</td><td>0/1</td></tr> <tr><td>Total No. of Meetings Held</td><td>4</td><td>4</td><td>1</td><td>1</td></tr> </tbody> </table> <p>A majority of our INEDs attended the last Annual General Meeting held in May 2015, with absence of three 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 held in May 2015.</p>	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 <i>(retired on 15 May 2015)</i>	2/2	n/a	1/1	1/1	Mr Stephen T H Ng	4/4	n/a	n/a	1/1	Mr Andrew O K Chow	3/4	n/a	n/a	1/1	Ms Doreen Y F Lee	4/4	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 K P Chan <i>(appointed effective from 15 May 2015)</i>	1/2	n/a	n/a	n/a	Mr Alexander S K Au	4/4	4/4	n/a	1/1	Professor Edward K Y Chen	3/4	n/a	n/a	1/1	Dr Raymond K F Ch'ien <i>(resigned with effect from 1 January 2016)</i>	1/4	n/a	n/a	1/1	Hon Vincent K Fang	3/4	3/4	n/a	1/1	Mr Hans Michael Jebesen	2/4	1/4	1/1	0/1	Mr Wyman Li <i>(resigned with effect from 2 September 2015)</i>	0/3	2/3	1/1	0/1	Mr David M Turnbull	4/4	n/a	n/a	1/1	Professor E K Yeoh	3/4	1/1	n/a	0/1	Total No. of Meetings Held	4	4	1	1
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Code Ref.	Code Provisions
A.7	<p>Supply of and access to information <i>Corporate Governance Principle</i></p> <p><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></p>
Compliance Status	Corporate Governance Practices
Comply with Requirement	<p>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.</p> <p>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.</p> <p>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.</p>

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Code Ref.	Code Provisions
B.	REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION
B.1	<p>The level and make-up of remuneration and disclosure <i>Corporate Governance Principle</i></p> <p><i>The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent.</i></p>
Compliance Status	Corporate Governance Practices
Comply with Requirement	<p>The Company has set up a remuneration committee (the "Remuneration Committee") with majority of the members being INEDs.</p> <p>The Remuneration Committee comprises the Chairman of the Company, Hon Peter K C Woo (<i>retired on 15 May 2015</i>) and Mr Stephen T H Ng (<i>appointed effective from 15 May 2015</i>) and two INEDs, namely, Mr Hans Michael Jebsen (the chairman of the Remuneration Committee), Mr Wyman Li (<i>resigned effective from 2 September 2015</i>) and Mr David M Turnbull (<i>appointed effective from 2 September 2015</i>).</p> <p>The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management of the Company ("Senior Management"), 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.</p> <p>The terms of reference of the Remuneration Committee are aligned with the Code provisions set out in the Code. Given below are the main duties of the Remuneration Committee:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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. <p>This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;</p> <ul style="list-style-type: none"> (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;

<ul style="list-style-type: none"> (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/her 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. <p>The roles and authorities of the Remuneration Committee are set out in its terms of reference which are available at the Company's corporate website at www.wharfholdings.com.</p> <p>There were one Remuneration Committee meeting held during the financial year ended 31 December 2015. Please refer to the table set out on page 93 for the details of attendance of the Remuneration Committee members.</p> <p>The work performed by the Remuneration Committee, which has the delegated authority and responsibility, for the financial year ended 31 December 2015 is summarised below:</p> <ul style="list-style-type: none"> (a) review of the Company's policy and structure for all remuneration of Directors and Senior Management; and (b) consideration and approval of the emoluments for all Directors and Senior Management. <p>The Remuneration Committee has consulted the Chairman of the Company 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.</p> <p>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\$225,000 per annum, the fee payable to each of the other Directors, currently at the rate of HK\$150,000 per annum, and the fee payable to each of those Directors who are also members of the Audit Committee, currently at the rate of HK\$75,000 per annum, 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 135 for details.</p> <p>To enable it to better advise on the Group's future remuneration policy and related strategies, the Remuneration Committee 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.</p> <p>The Personnel Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.</p>
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CORPORATE GOVERNANCE REPORT

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 the financial statements for the financial year ended 31 December 2015, which give a true and fair view of the financial position of the Group and of the Group's financial performance 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 2015:</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 judgments 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 which 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 123.</p> <p>The Board aims to present a clear, balanced and understandable assessment of the Group's performance and financial 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	Risk Management and Internal Control <i>Corporate Governance Principle</i> <i>The board should ensure that the company maintains sound and effective risk management and internal control systems to safeguard shareholders' investments and the company's assets.</i>
Compliance Status	Corporate Governance Practices
Exceed Requirement	During the year under review, the Group has enhanced its systems and practices in respect of risk management and internal control taking into account the requirements of the revised Code to be applicable to the Company for the financial year ending on 31 December 2016. Please refer to the sub-section headed "Risk Management and Internal Control Systems" as set out on pages 104 to 105 for the details.

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, risk management 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 Audit Committee (the "Audit Committee") within a reasonable time after each meeting.</p> <p>The Company has set up an Audit Committee with all members being INEDs, namely, Hon Vincent K Fang (the chairman of the Audit Committee), Mr Alexander S K Au, Mr Han Michael Jebsen, Mr Wyman Li (<i>resigned effective from 2 September 2015</i>) and Professor E K Yeoh (<i>appointed effective from 2 September 2015</i>).</p> <p>No member of the Audit Committee is a former partner of the existing auditing firm of the Company. All members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required.</p> <p>A revised set of terms of reference of the Audit Committee (the "Revised AC Terms of Reference") has been adopted by the Company during the year to align with the recent amendments to the Code. The Revised AC Terms of Reference is 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 the Audit Committee:</p> <p>(I) <i>Relationship with the Company's external auditors</i></p> <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 Audit Committee should discuss with the external 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

CORPORATE GOVERNANCE REPORT

(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 Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the 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 Audit Committee should liaise with the Board and Senior Management and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, 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, or for compliance function, or auditors (internal or external).

(III) Oversight of the Company's financial reporting system, and risk management and internal control systems

- (a) to review the Company's risk management and internal control systems covering all controls, including financial, operational and compliance controls, with the support of the Risk Management and Internal Control Committee;
- (b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Company's accounting, internal audit and financial reporting functions;
- (c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings and review the statements concerning risk management and internal control to be included in the annual report;
- (d) to ensure co-ordination between the internal and external auditors, to review and approve the annual internal audit plan, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system and risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;
- (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 provision 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 Audit Committee 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 Audit Committee, including those set out in the Code provision of C.3.3 of the Code, are set out in its terms of reference which are available at the Company's corporate website at www.wharfholdings.com.

There were four Audit Committee meetings held during the financial year ended 31 December 2015. Please refer to the table set out on page 93 for the details of attendance of the Audit Committee members.

The work performed by the Audit Committee for the financial year ended 31 December 2015 is summarised below:

- (a) review of the annual audit plan of the external auditors before the audit commenced, 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 Audit Committee;
- (e) review of the audit programme of the internal audit function;
- (f) review of the Group's financial controls, risk management and internal control 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;
- (j) review of and monitoring of the Group's compliance with legal and regulatory requirements; and
- (k) review and recommend the Board to approve the Revised AC Terms of Reference.

CORPORATE GOVERNANCE REPORT

	<p>The Audit Committee 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 2016.</p> <p>For the financial year ended 31 December 2015, 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 Audit Committee.</p>
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Code Ref.	Code Provisions
D.	DELEGATION BY THE BOARD
D.1	<p>Management functions <i>Corporate Governance Principle</i></p> <p><i>The company should have a formal schedule of matters specifically reserved for board approval and those delegated to management.</i></p>
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	<p>Board Committees <i>Corporate Governance Principle</i></p> <p><i>Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.</i></p>
Compliance Status	Corporate Governance Practices
Comply with Requirement	<p>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.</p> <p>Board Committees report to the Board of their decisions and recommendations at the Board meetings.</p>

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 Audit Committee to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the Audit Committee 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 99.

Code Ref.	Code Provisions
E.	COMMUNICATION WITH SHAREHOLDERS
E.1	<p>Effective communication <i>Corporate Governance Principle</i></p> <p><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></p>
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 2015 Annual General Meeting ("2015 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 2015 AGM was held on 15 May 2015 in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong. The Directors, including the Chairman of the Company, the Chairmen of the Board Committees attended the 2015 AGM, with exception that Mr Hans Michael Jebsen being the chairman of the Remuneration Committee was absent due to other important engagement but was represented by other two Remuneration Committee members during the meeting. Please refer to the table set out on page 93 for the details of attendance of the Directors in the 2015 AGM. The external auditors of the Company, Messrs KPMG, attended the 2015 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 corporate 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 corporate website provides email address, postal address, fax number and telephone number by which enquiries may be put to the 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>

CORPORATE GOVERNANCE REPORT

Code Ref.	Code Provisions
E.2	<p>Voting by poll <i>Corporate Governance Principle</i></p> <p><i>The company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.</i></p>
Compliance Status	Corporate Governance Practices
Comply with Requirement	<p>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:</p> <p>(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;</p> <p>(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;</p> <p>(c) Effective Shareholder participation in key corporate governance decisions;</p> <p>(d) Shareholders can make their view known on the remuneration policy for Board members and key executives; and</p> <p>(e) Shareholders can vote in person or by proxy, and equal effect is given to votes whether cast in person or by proxy.</p> <p>The Company has the following procedures to Shareholders to vote by poll:</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>

Code Ref.	Code Provisions
F.	<p>Company Secretary <i>Corporate Governance Principle</i></p> <p><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></p>
Compliance Status	Corporate Governance Practices
Comply with Requirement	<p>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.</p> <p>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.</p>

Code Ref.	Code Provisions
F.1.3	<i>The company secretary should report to the board chairman and/or the chief executive.</i>
Compliance Status	Corporate Governance Practices
Not Comply with Requirement	The Company Secretary of the Company had formerly directly reported to the Deputy Chairman of the Company, which was considered appropriate and reasonable given the size of the Group. Following the change of Chairman of the Company with effect from 15 May 2015, the Company Secretary commenced reporting to the Chairman of the Company directly and the Company is now in full compliance of Code Provision F.1.3.

MODEL CODE FOR DIRECTORS' DEALING IN SECURITIES

During the financial year ended 31 December 2015, 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. The Company has made specific enquiry of all Directors and all 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 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—

- identify the resolution of which notice is to be given;
- be authenticated by the person or persons making it; and
- 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).

CORPORATE GOVERNANCE REPORT

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the financial year ended 31 December 2015.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

(I) Risk Governance Structure

The Board has overall responsibilities for the Group's risk management and internal control systems to safeguard the interests of the Company and its Shareholders as a whole. To this end, the Board oversees and approves the Group's risk management and internal control strategies and policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Group's strategic objectives and risk appetite, with the main purpose of providing of reasonable assurance against material misstatement or loss rather than absolute elimination of the risk of failure to achieve business objectives.

Reporting to the Board, the Audit Committee is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems, with assistance of the Risk Management and Internal Control Committee. In November 2015, the terms of reference of the Audit Committee were updated to formally incorporate risk management into its scope of duties.

In adherence to its long standing principle for prudent management, the Group has put in place a robust and inclusive framework to manage risks at different business operations in diversified segments within the organization.

Risk Management and Internal Control Committee ("RMICC")

In 2015, RMICC was formally established to replace the former Internal Control Committee as an initiative to further enhance the Group's risk management and internal control systems. It was principally an evolvement from the pre-existing internal control framework, which has been in operation ever since 2004, comprising the divisional internal control committees of the business units and various control functional departments at corporate level, including, *inter alia*, Finance Committee, Project Cost Audit Department and Financial Audit Department.

Under the enhanced framework, RMICC plays a central role in the ongoing management of risk management and internal control systems of the Group with the following features:

<i>Objective</i>	Assist the Audit Committee in discharge of its oversight responsibility over the risk management and internal control systems of the Group
<i>Composition</i>	<p>Chaired by the Vice Chairman and Group Chief Financial Officer</p> <p>Three other members comprising two Executive Directors and the Company Secretary</p>
<i>Structure</i>	<p>Accountable to the Audit Committee on all matters relating to risk management and internal control</p> <p>Supervision of Divisional Risk Management and Internal Control Committees ("DRMICCs") which in turn are responsible for the identification and reporting of functional risks, and the ongoing supervision and monitoring of the risk management and internal control systems</p>
<i>Scope and Duties</i>	<p>Assist the Audit Committee to conduct periodical reviews of the effectiveness of the risk management and internal control systems of the Group based on the certification procedure as further explained below</p> <p>Report to the Audit Committee on identified risks, relevant evaluations and risk management strategy</p> <p>Direct and monitor the proper functioning of DRMICCs and report to the Audit Committee on any major internal control issues from time to time</p> <p>Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures</p>

Divisional Risk Management Internal Control Committees ("DRMICCs") are set up at the level of business units with composition of the respective key management staff together with those charged with the internal control functions. Acting as divisional advisory bodies, DRMICCs are entrusted with implementation of the Group's control policies and on-going assessment of control activities in the relevant business units.

(II) Practices & Processes

As a conglomerate with diversified range of business activities, the Group is operating in dynamic environments with varying risk exposures according to different business segments. Risk management and internal controls within the Group are not just serial processes but dynamic and integrated operations embedded in the day-to-day routines with the primary ownership vested on the respective business units under stewardship residing with the Board.

Areas of responsibility of each operational unit are clearly defined with specific limits of authority in place to ensure effective checks and balances. 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. Risk management system, internal control measures and procedures are continuously under review and being improved where necessary in response to changes in business, operating and regulatory environments.

Furthermore, a Whistleblowing Policy and Procedures has been adopted by the Group, with the authority and responsibility being delegated to the Audit Committee. 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 Audit Committee and/or the Chairman and Managing Director and/or Group Chief Financial Officer about possible improprieties in any matter related to the Company.

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 Audit Committee. The external auditors have access to a full set of internal audit reports.

(III) Periodical Reviews

Under the leadership of RMICC, system reviews in a comprehensive approach on the basis of COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework are conducted throughout the Group at least annually. Each business unit, through the co-ordination of DRMICCs, makes a self-assessment by a process as illustrated in the following flow diagram.



DRMICCs report on their reviews and findings, with the conclusions as to the effectiveness of the risk management and control activities of each individual business unit, while RMICC will draw an overall review and conclusion for reporting to the Audit Committee and the Board. Such reviewing exercise is carried out on regular basis and affords good opportunities for the Group to identify and prioritise risks, and to develop and manage appropriate measures to control risks within acceptable levels and with a greater focus on anti-fraud measures.

(IV) Annual Confirmation

During the financial year ended 31 December 2015, the Audit Committee, with assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group's risk management and internal control systems and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting, internal audit and financial reporting function. Confirmations from management in the form of certification that risk management and internal control procedures are functioning effectively to meet the respective financial reporting, operational and compliance needs, are submitted by business and corporate unit heads to RMICC for consolidation and reporting to the Audit Committee.

Based on the result of the review as reported by the Audit Committee, in respect of the financial year ended 31 December 2015, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate.

A discussion on the principal risks and uncertainties encountered by the Group are set out on pages 120 to 122 in the Directors' Report.