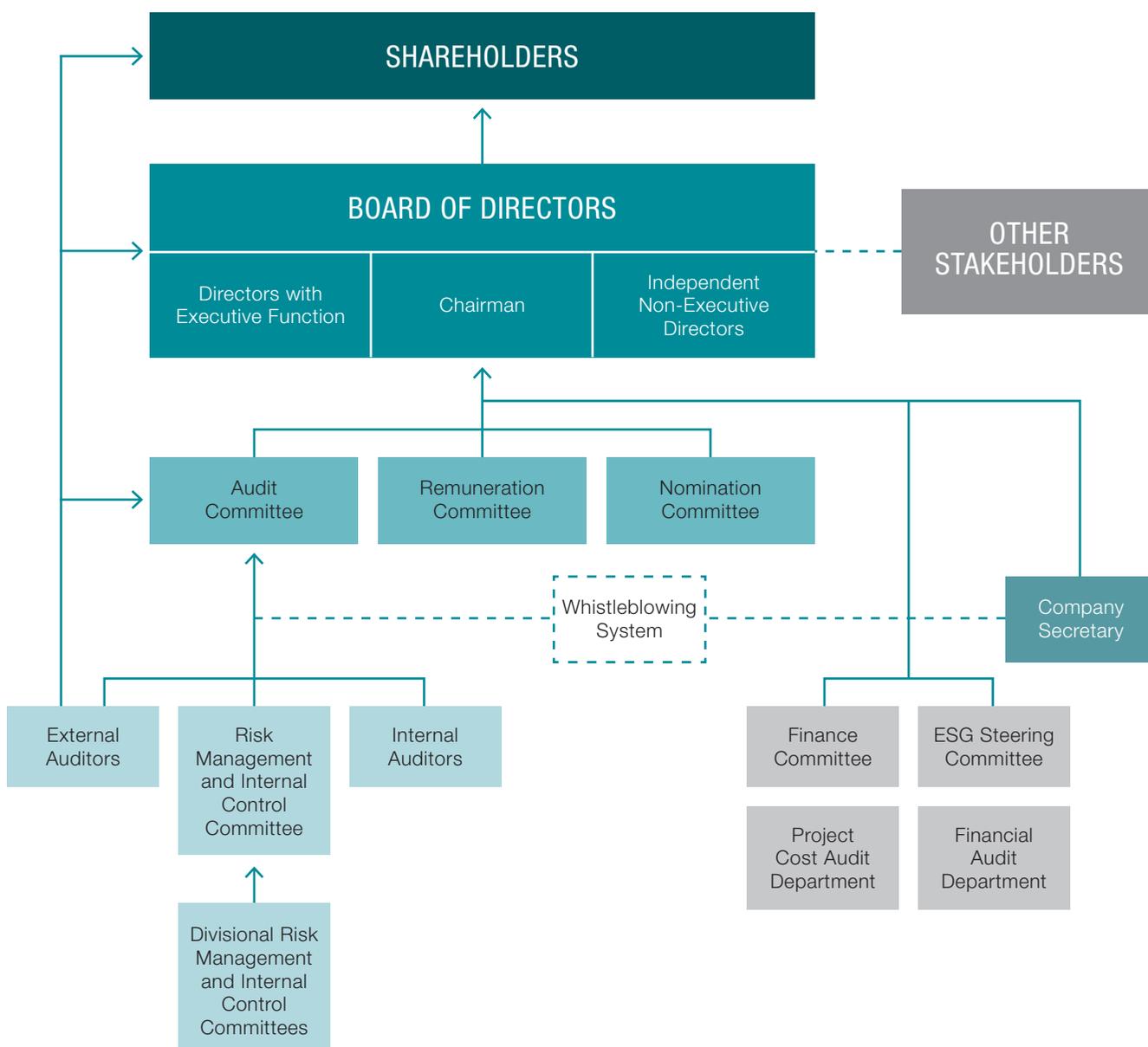


# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRINCIPLES AND STRUCTURE

The Group endeavours to maintain high standards of corporate governance as we believe good corporate governance is essential for sustainable development of the Group.

The Board of Directors (the “Board”) is the core of our corporate governance structure embracing supports across the Group-wide spectrum on foundation of an efficient and accountable framework with commitments to promote the Group’s sustainability in discharge of its duties of safeguarding the interests of the Group, its shareholders as well as all other stakeholders, including investing public, regulators, banks, bondholders, creditors, customers and employees. The Group’s corporate governance structure can be visualized as below:



# CORPORATE GOVERNANCE REPORT

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the financial year ended 31 December 2016, the Company has complied with all the code provisions of the Corporate Governance Code contained 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"), with one exception as follows:

### Code Provision A.2.1 (Separation of the roles of Chairman and Chief Executive)

Mr Stephen T H Ng serves as the Chairman as well as the Managing Director of the Company. 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 thereby enabling more effective planning and better execution of long-term strategies. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-Executive Directors (the "INEDs").

The Company is committed to maintain high standards of corporate governance to exceed the Listing Rules requirements and code provisions and adopts, where appropriate, the recommended best practices, which are to be elaborated further in this corporate governance report.

## BOARD OF DIRECTORS

### Roles and Responsibilities

The overall management of the Company's business is vested in the Board and the Directors of the Company (the "Directors") are collectively responsible for promoting the success of the Company. The Board directly, and indirectly through the Board Committees, provides effective oversight and strategic guidance on the Group's strategies and affairs, leading the achievement of strategic plans to enhance shareholders' value.



## Board Composition and Diversity Policy

As of the date of this report, the Board consists of a total of twelve members, including six Directors with executive functions and six INEDs.

The Directors' biographical details are set out in "(A) Biographical Details of Directors and Senior Managers" on pages 106 to 109. A list setting out the names of the Directors and their roles and functions is posted on the respective websites of the Company and the Stock Exchange. All Directors, including INEDs, are also identified as such in all corporate communications that disclose the names of Directors.

The Board has adopted a Board Diversity Policy in 2014. 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 a range of diversity objectives, including but not limited to gender, age, cultural and educational backgrounds, length of service, knowledge of the Group's business and a board 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 following chart shows the diversity profile of the Board as at 31 December 2016:



# CORPORATE GOVERNANCE REPORT

## Appointment and Election of Directors

In accordance with the articles of association of the Company, all Directors are subject to retirement by rotation at an annual general meeting at least once every three year. Any new Directors appointed by the Board either to fill a casual vacancy or as an addition to the Board are subject to re-election by shareholders of the Company (the "Shareholder") at the next general meeting of the Company. At each annual general meeting, at least one-third of the Directors for the time being shall retire from office and the retiring Directors shall be eligible for re-election.

The Board, with support of the Nomination Committee, is responsible for developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

Mr Stephen T H Ng, Ms Doreen Y F Lee, Mr Vincent K Fang and Mr David Muir Turnbull will retire at the annual general meeting (the "AGM") to be held on 10 May 2017. The retiring Directors, being eligible, offer themselves for re-election. There is no cumulative voting in Director elections. The election of each candidate is done through a separate resolution. Details with respect to the candidates standing for election as Directors are set out in the AGM circular to Shareholders.

## Independent Directors

Six out of twelve Directors are INEDs, a sufficient number to ensure their views to carry weight and implanting a strong independence element into the Board.

The Company has received written annual confirmation from each of the INEDs concerning their independence pursuant to Rule 3.13 of the Listing Rules, and considers that all INEDs are independent and meet the independence guidelines set out thereunder.

All INEDs have their respective terms of appointment coming to an end normally three years after their appointment to the Board or their last re-election as Directors. The re-election of any INEDs who has served on the Board for more than nine years is subject to (1) a separate resolution to be approved by Shareholders; and (2) further information to be sent out in the circular to Shareholders the reasons why the Board believes the relevant INED is still independent and should be re-elected.

Professor Edward K Y Chen, Mr Vincent K Fang and Mr Hans Michael Jebesen have served as INEDs for more than nine years. The Board is of the opinion that they remain independent, notwithstanding the length of their tenure. All of them have confirmed to meet the criteria set out in the independence guideline of Rule 3.13 under the Listing Rules. They continue to demonstrate the attributes of INEDs and there is no evidence that their tenure has any impact on their independence. The Board believes that their profound knowledge and experience of the Group's business and their external experience continue to be of significant benefits to the Company, and that they remain independent.

## Remuneration of Directors and Senior Management

The remuneration payable to Directors and Senior Management of the Company is determined with reference to calibres, experiences, job responsibilities, performance and profitability of the Group, and the remuneration benchmarks normally paid by listed companies in Hong Kong and overseas for ensuring a fair and competitive remuneration package in the market. The basis of determining the fee payable to the Board during the financial year ended 31 December 2016 is as follows:

Fee payable to:	At the rate of HK\$'000 per annum
The Chairman of the Board	225
Director ( <i>other than Chairman</i> )	150
Member of the Audit Committee	75

Proposed resolutions for the revisions of annual fees payable to Directors with retroactive effect from 1 January 2017 will be voted by Shareholders in the forthcoming AGM as detailed in the annual general meeting notice and circular.

In respect of the remuneration payable to the Directors and Senior Management of the Company, the details have been set out in Note 2(b) and 2(c) to the financial statements on pages 139 and 140 respectively.

## Directors' Trainings

Newly appointed Directors receive briefings and orientation on legal responsibilities as a Director and the role of the Board. The Company Secretary also provides latest information of the business development, market changes and updates in the Listing Rules and relevant legal and regulatory requirements to the Directors in a timely manner in order to make an informed decision and discharge their duties and responsibilities.

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. All Directors have been required to provide training records undertaken which are maintained by the Company Secretary.

All the current Directors have, during the financial year under review, pursued continuous professional development and the details are set out below:

Directors	Types of Trainings (See Remarks)
<b>Executive Directors</b>	
Mr Stephen T H Ng, <i>Chairman &amp; Managing Director</i>	A, B
Mr Andrew O K Chow, <i>Deputy Chairman</i>	A, B
Ms Doreen Y F Lee, <i>Vice Chairman</i>	A, B
Mr Paul Y C Tsui, <i>Vice Chairman &amp; Group Chief Financial Officer</i>	A, B
<b>Directors</b>	
Ms Y T Leng	A, B
Mr K P Chan	A, B
<b>Independent Non-executive Directors</b>	
Mr Alexander S K Au	A, B
Professor Edward K Y Chen	A, B
Mr Vincent K Fang	A, B
Mr Hans Michael Jebesen	A, B
Mr David Muir Turnbull	A, B
Professor E K Yeoh	A, B

Remarks:

A: attending seminars and/or conferences and/or forums

B: reading journals, updates, articles and/or materials, etc

## Directors' Securities Transactions

The Company adopts 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 in Appendix 10 of the Listing Rules. Indeed, the Company's Code has a higher standard than the Model Code in the extent that the absolute prohibitions under paragraphs A.1 and A.3 of the Model Code, viz. forbidding Directors from securities dealings at any time in possession of price-sensitive information and during the relevant blackout periods preceding publication of financial results, shall apply not only to the listed securities of the Company itself but also of its subsidiaries and associates.

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.

# CORPORATE GOVERNANCE REPORT

## BOARD EFFECTIVENESS

### Division of Responsibilities

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.

### CHAIRMAN AND MANAGING DIRECTOR

#### Mr Stephen T H Ng

- responsibility for Group strategies and Board issues
- lead the Board and manage the affairs of the Board to ensure its effective functioning
- facilitate and encourage active engagement of Directors, fully drawing on their skills, experience and knowledge
- ensure cohesive working relationship among members of the Board and the Management
- assume overall responsibility on corporate governance practices and procedures
- in his capacity as Managing Director, directly has executive responsibilities in certain major business and corporate units of the Group

### DIRECTORS WITH EXECUTIVE FUNCTIONS

#### Development Properties (China)

Mr Andrew O K Chow (*Deputy Chairman*)

Mr K P Chan

#### Investment Properties (HK/China)

Ms Doreen Y F Lee (*Vice Chairman*)

Ms Y T Leng

#### Group Finance

Mr Paul Y C Tsui

(*Vice Chairman & Group Chief Financial Officer*)

- full executive responsibilities over business directions and operational efficiency of the business and corporate units under their respective management (Please refer to Group Business Structure as set out on page 6 of this annual report for more details.)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Alexander S K Au

Professor Edward K Y Chen

Mr Vincent K Fang

Mr Hans Michael Jebsen

Mr David Muir Turnbull

Professor E K Yeoh

- contribute diversified views and exercise independent judgment in the Board's decision making process
- act as check-and-balance, particularly in situations where potential conflicts of interests may arise

### Company Secretary

The Company Secretary, Mr Kevin C Y Hui, is a seasoned employee of the Company and is very familiar with the Company's state of affairs. He reports to the Chairman and the Board of Directors directly. The main responsibility of the Company Secretary is supervision of the Company's compliances with laws and regulations, for instances, the Listing Rules, the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-back.

All Directors have access to the advices and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are obligated. The Company Secretary has also played the role of coordinator for arranging Directors' participant in the training sessions organised by the external auditors.

The Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training during the financial year.

### Directors' Meeting Attendance in 2016

Individual attendance records of our Directors at Board meetings, Board Committees meetings and Annual General Meeting during the financial year ended 31 December 2016 are set out below:

	2016 Meetings Attended / Held			
	Board	Audit Committee	Remuneration Committee	Annual General Meeting
<b>Executive Directors</b>				
Mr Stephen T H Ng, <i>Chairman &amp; Managing Director</i>	4/4	N/A	2/2	1/1
Mr Andrew O K Chow, <i>Deputy Chairman</i>	3/4	N/A	N/A	1/1
Ms Doreen Y F Lee, <i>Vice Chairman</i>	4/4	N/A	N/A	1/1
Mr Paul Y C Tsui, <i>Vice Chairman &amp; Group Chief Financial Officer</i>	4/4	N/A	N/A	1/1
<b>Directors</b>				
Ms Y T Leng	4/4	N/A	N/A	1/1
Mr K P Chan	4/4	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>				
Mr Alexander S K Au	4/4	4/4	N/A	1/1
Professor Edward K Y Chen	4/4	N/A	N/A	1/1
Mr Vincent K Fang	3/4	3/4	N/A	0/1
Mr Hans Michael Jebsen	2/4	0/4	2/2	1/1
Mr David Muir Turnbull	3/4	N/A	2/2	1/1
Professor E K Yeoh	4/4	4/4	N/A	1/1
<b>Total Number of Meeting</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>1</b>

Note: The Chairman of the Company, the Chairmen of the Board Committees attended the 2016 AGM, with exception that Mr Vincent K Fang being the chairman of the Audit Committee was absent due to other important engagement but represented by other three Audit Committee members.

# CORPORATE GOVERNANCE REPORT

## Board Process

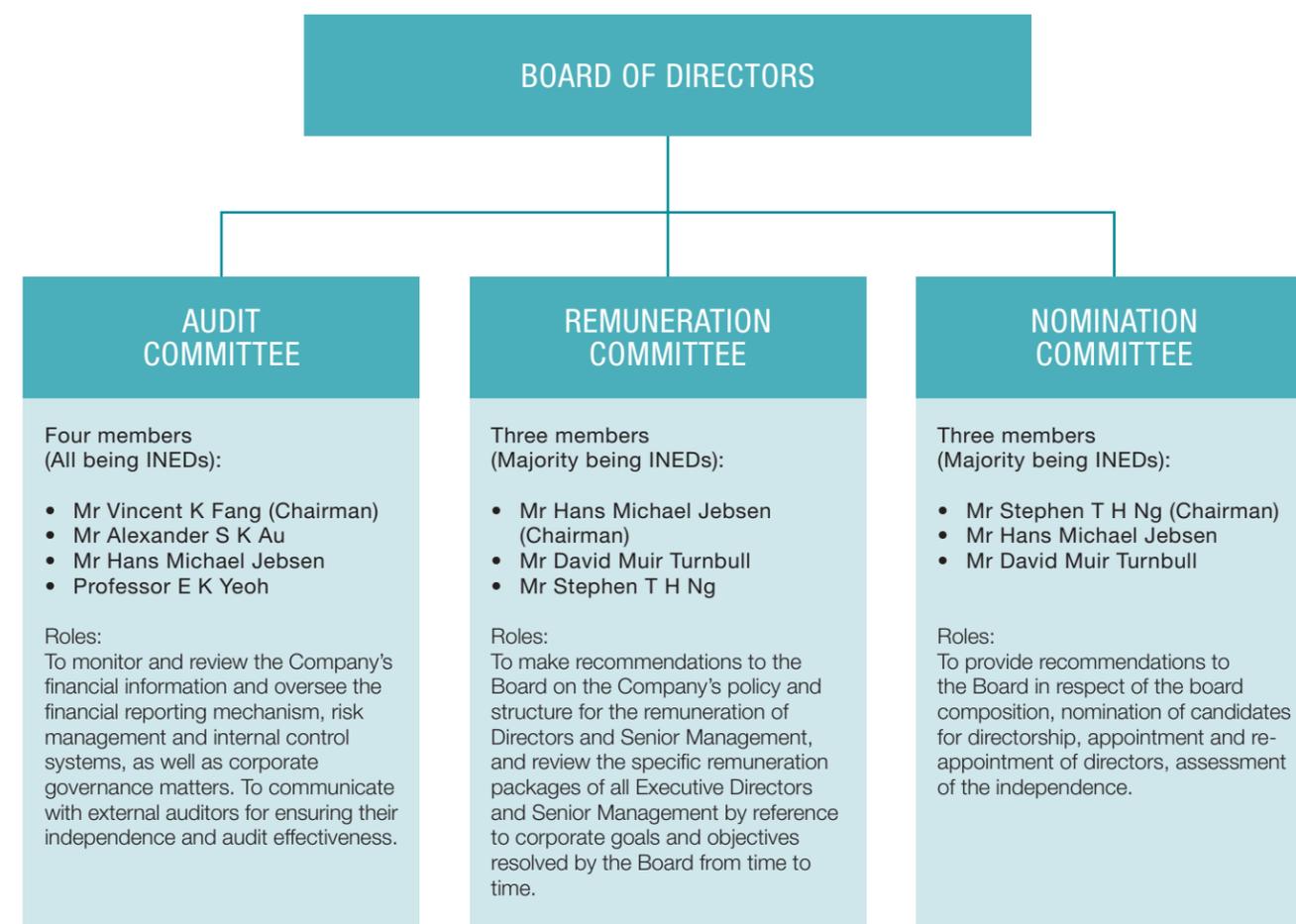
### Key Features of Board Process in 2016

Regular Meetings	<ul style="list-style-type: none"> <li>The Board held four regular meetings in 2016. Directors' attendance record for 2016 is disclosed on page 93 of this report.</li> <li>Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association.</li> </ul>
Meeting Notice	<ul style="list-style-type: none"> <li>One-month formal notice would be given before each regular meeting and reasonable notices are given for all other ad hoc meetings.</li> </ul>
Meeting Agenda	<ul style="list-style-type: none"> <li>All Directors are consulted as to whether they may want to include any matter in the agenda for each Board meeting.</li> <li>Board papers are circulated not less than three days before Board meetings to enable the Directors to make informed decisions on matters to be raised at Board meetings.</li> </ul>
Important Decisions	<ul style="list-style-type: none"> <li>Important matters are decided by Directors at Directors' meetings, or on some exceptional occasions, dealt with by way of written resolutions so that all Directors (including INEDs) can note and comment, as appropriate, the matters before approval is granted.</li> </ul>
Board and Board Committee Minutes / Written Resolutions	<ul style="list-style-type: none"> <li>The Company Secretary prepares minutes and written resolutions and records matters discussed and decisions resolved by the Board and Board Committees.</li> <li>Board and Board Committee meeting minutes are sent to all Directors and Board Committee members respectively for comments and record, and final version thereof are put on record within a reasonable time after each Board and Board Committee meeting.</li> <li>Board and Board Committee minutes and resolutions are available for inspection by all Directors/ Board Committee members.</li> <li>Minutes record in sufficient detail of the matters considered by the Board/Board Committees and decisions reached.</li> </ul>
Supply of and Access to Information	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
Independent Professional Advice	<ul style="list-style-type: none"> <li>The Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.</li> </ul>
Conflicts of Interests	<ul style="list-style-type: none"> <li>Directors are required to declare their direct/indirect interests, if any, in any proposed transaction, arrangement or contract to be considered by the Board pursuant to the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Company's Articles of Associations and, where appropriate, Directors who are interested are required to abstain from voting on the proposed transaction, arrangement or contract.</li> </ul>
Indemnification and Insurance	<ul style="list-style-type: none"> <li>The Company has arranged appropriate insurance cover of Directors' and Officers' liability.</li> </ul>

## Board Committees

The Company has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee. The terms of reference of our Board Committees are reviewed and updated regularly to ensure that they are aligned with prevailing governance practices. The terms of reference and membership of all our Board Committees are disclosed in full on the respective websites of the Company and the Stock Exchange.

Board Committees report to the Board of their decisions and recommendations on specific area under their respective delegated responsibilities.



The roles, authorities and procedures of the Board Committees are set out in their respective terms of reference which are available at the websites of the Company and the Stock Exchange.

# CORPORATE GOVERNANCE REPORT

## Summary of Works Performed by the Board Committees in 2016

Audit Committee
<ul style="list-style-type: none"> <li>Four Audit Committee meetings was held in 2016 with attendance records as disclosed on page 93 of this report</li> <li>Review of the annual audit plan of External Auditors</li> <li>Approval of the remuneration and terms of engagement of External Auditors</li> <li>Review of the External Auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards</li> <li>Review of the quarterly, interim and annual financial statements before submission to the Board, with particular consideration of the duties of the Audit Committee</li> <li>Review of the audit programme of and work done by the Internal Auditors</li> <li>Review on the effectiveness of the Group's financial controls, risk management and internal control systems with the support of Risk Management and Internal Control Committee and Internal Auditors</li> <li>Meeting with the External Auditors without presence of executive Board members or the management</li> <li>Review of the whistle-blowing cases and relevant investigation results</li> <li>Review of the corporate governance matters and the relevant reports of the Group</li> <li>Review of and monitoring the Group's compliance with legal and regulatory requirements</li> <li>Recommendation to the Board for the reappointment of External Auditors</li> </ul>
Remuneration Committee
<ul style="list-style-type: none"> <li>Two Remuneration Committee meetings was held in 2016 with attendance as disclosed on page 93 of this report</li> <li>Remuneration Committee has the following delegated authorities and responsibilities</li> <li>Review of the Company's policy and structure for all remuneration of Directors and Senior Management</li> <li>Consideration and approval of the emoluments for all Directors and Senior Management</li> <li>Review of the level of fees for Directors and Audit Committee members</li> <li>Review of the list of emoluments for Directors to be disclosed in annual report</li> </ul>
Nomination Committee
<ul style="list-style-type: none"> <li>No Nomination Committee meeting and no nomination of new Director in 2016</li> </ul>

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board acknowledges its responsibilities for overseeing the preparation of financial statements for the financial year, which shall 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 relevant periods, and in compliance with all the relevant statutory requirements, Listing Rules requirements and applicable accounting standards. The Board is committed to present a clear, balanced and understandable assessment of the Group's performance and financial positions in all its financial reporting and to ensure relevant publications in a timely manner.

Below principles are strictly observed in preparation of the financial statements of the Group:

- appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- appropriate and reasonable judgments and estimates are made; and
- reasons for any significant departure from applicable accounting standards, if any, is clearly stated.

The Directors are not aware of any 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 Corporate Governance Code.

The Directors are satisfied with the Group's performance on the basis that the Company generates or preserves value over the longer term and delivers the Company's objectives through its business model as discussed under Financial Review on page 86.

### External Auditors

The Company has engaged KPMG as its Auditors for the financial year. The Audit Committee reviews and monitors the Auditors' independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards. KPMG has confirmed its independence as the Company's Auditors having regard to its policies, professional rules and relevant statutory requirements.

Meeting between the Audit Committee and the Auditors was held for reviewing the audit plan whereby the nature and scope of audit and reporting obligations were discussed with and approved by the Audit Committee before commencing the audit works for the financial year.

Under the engagement letter of the financial year, KPMG provided the following services:

- Audit services of the Company and its subsidiaries (both incorporated in Hong Kong and other jurisdictions);
- Checking the accuracy of extraction of the financial information in the preliminary announcement of annual results;
- Attendance of 2017 AGM; and
- Reporting on continuing connected transactions.

The remuneration paid / payable to the Auditors of the Company in respect of audit services and non-audit services for the financial year ended 31 December 2016 are set out below:

	Fee paid/payable (HK\$ Million)	
Type of Services:	2016	2015
Audit services	24	23
Non-audit services	1	2
<b>Total</b>	<b>25</b>	25

The Audit Committee was satisfied with KPMG's work and recommended to the Board that, subject to Shareholders' approval at the forthcoming AGM, KPMG be re-appointed as the Company's Auditors for 2017.

The statement by the Auditors regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 123 to 127.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

### 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.

### Risk Management and Internal Control Committee ("RMICC")

RMICC plays a central role in the on-going management of the Group's risk management and internal control systems, with the following features:

<b>Objective</b>	Assist the Audit Committee in discharge of its oversight responsibility over risk management and internal control system of the Group
<b>Composition</b>	Chaired by the Vice Chairman & Group Chief Financial Officer  Three other members comprising two Directors with executive functions and the Company Secretary
<b>Structure</b>	Accountable to the Audit Committee on all matters relating to risk management and internal control  Supervision on 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 of all the respective business and corporate units of the Group
<b>Scope &amp; Duties</b>	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  Report to the Audit Committee on identified risks, relevant evaluations and risk management strategy  Direct and monitor the proper functioning of DRMICC and report to the Audit Committee on any major internal control issues from time to time  Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures

### Internal Control Functions

Internal control functions are inbuilt at every level of the Group's organisation to entrench safeguards against material errors and deficiencies. Below sets the major constituents with control functions monitoring key operations across the Group:

<b>DRMICCs</b>	<ul style="list-style-type: none"> <li>set up at the level of business and corporate units as divisional advisory bodies with composition of the respective key management staff together with those charged with the internal control functions</li> <li>responsible for the identification and reporting of functional risk, and the ongoing supervision and monitoring of the risk management and internal control systems</li> <li>entrusted with implementation of the Group's control policies and on-going assessment of control activities in the relevant business units</li> </ul>
<b>Finance Committee</b>	establish financing strategy and policies with reference to risk assessment formulate externally and internally and cash flow placing as well as the centralised treasury functions
<b>Internal Audit Department</b>	monitoring compliance with group policies and standards, and review of the effectiveness of internal control measures of business and corporate units
<b>Financial Audit Department</b>	scrutiny on leasing activities and expenditure proposals
<b>Project Cost Audit Department</b>	auditing on tendering and contracts relating to construction works
<b>CSR Steering Committee</b>	alignment of business development with Corporate Social Responsibility goals and commitments

### Practices and 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 and corporate 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.

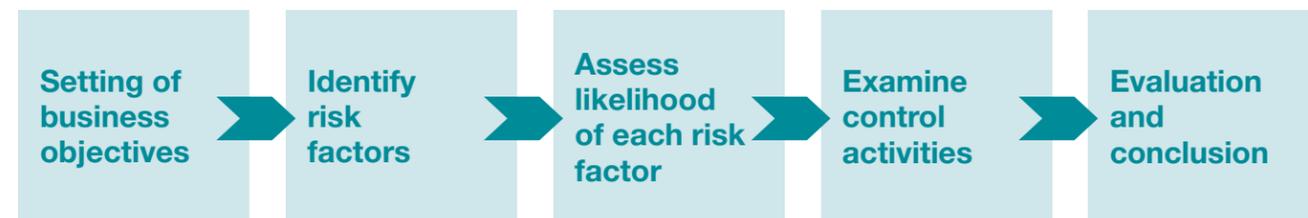
### Whistleblowing System

The Group has adopted the recommended best practice of establishing a whistleblowing system as an open channel which enable employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence without fear of retribution, about any suspect misconduct or malpractice within the Group. The Whistleblowing Policy and Procedures are available for download under the Corporate Governance section of the Company's corporate website. Well-defined procedures are put in place for independent investigations and follow-up actions. With delegated authority and responsibility, the Audit Committee conducts periodical review on reports of whistleblowing cases submitted from the Internal Audit Department.

# CORPORATE GOVERNANCE REPORT

## 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.

## Annual Confirmation

During the financial year ended 31 December 2016, 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 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 2016, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate, and the Group has duly complied with the requirements under the Corporate Governance Code relating to the risk management and internal control.

A discussion on the principal risks and uncertainties encountered by the Group are set out on pages 119 to 121 in the Directors' Report.

## Inside Information Policy

The Company recognises the significance of consistent practices of fair disclosure with the aim of disclosing inside information in a timely and accurate manner.

The Company has a policy with regard to the principles and procedures for handling and disseminating the Company's inside information in compliance with the requirements under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Group. The Company Secretary works closely with the senior executives in identifying potential inside information and assess the materiality thereof, and where appropriate, to escalate such information for the attention of the Board to resolve on further action(s) complying with the applicable laws and regulations.

In prevention of premature leakage of inside information, the Company has taken all reasonable measures from time to time to ensure proper preservation of confidentiality of inside information until disclosure to the general public, including *inter alia*:

- restrictive access to inside information to a limited number of employees on a need-to-know basis
- appropriate confidentiality agreements are put in place when entering into any significant negotiations
- inclusion of a strict prohibition on the unauthorized use or disclosure of inside information in Employee Code of Conduct
- An Insider Dealing Circular is issued to all employees annually reminding their duties and obligations in respect of any dealings in the listed securities of the Company as well as its subsidiaries and associated corporations

## COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of constructive and transparent communication with Shareholders and investors and believes that Shareholders' value can be enhanced by continuous and effective dialogue with its stakeholders. The Company is committed to a fair and timely disclosure of key information of the Group to facilitate Shareholders and investment community to make investment decisions. Corporate information including but not limited to annual and interim reports, announcements, presentation materials and press releases are available on the websites of the Stock Exchange and/or the Company.

A Shareholders Communication Policy has been adopted by the Company to ensure balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile) are readily available to Shareholders.



## 2016 Annual General Meeting

The 2016 AGM was held on 11 May 2016 in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, with attendance by a large majority of the Directors, details of which are set out on the table of Directors' attendance on page 93. The Auditors of the Company, Messrs KPMG, attended the 2016 AGM, during which its representative was available to answer questions raised by the shareholders. Details of voting results were disclosed in the announcement of the Company dated 11 May 2016 posted on the websites of the Stock Exchange and the Company.

## 2017 Annual General Meeting

The forthcoming AGM will be held on 10 May 2017. All Shareholders are encouraged to attend and to vote on all resolutions to be proposed at the AGM. Details of resolutions to be proposed at the 2017 AGM are set out in the circular which will be dispatched together with this annual report. Relevant notice of AGM and proxy form will be available on the websites of the Stock Exchange and the Company.

## Voting

The Company has the following procedures to Shareholders to vote by poll:

- 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.
- 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.
- The Company ensures that votes cast are properly counted and recorded. Independent scrutineer, the Company's Share Registrar, is appointed to count the number of votes cast at general meetings.
- Poll results are announced on the same day and also published on the Company's website not later than the business day following the general meetings.

# CORPORATE GOVERNANCE REPORT

## Shareholders' Rights

### (a) *Convene an Extraordinary General Meeting*

Pursuant to Section 566 of the Companies Ordinance (Cap 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.

### (b) *Send Enquiries to the Board*

Shareholders may at any time address their enquiries to Board through the Company's email address (for enquiry purpose only), postal address, fax number and telephone number, which are set out on pages 4 to 5 of this annual report and the Company's corporate website ([www.wharfholdings.com](http://www.wharfholdings.com)).

### (c) *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 procedure for proposing resolution(s) to be moved at the Company's AGM(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 AGM(s) if they represent:

- at least 2.5% of the total voting rights of all Shareholders who have a right to vote at the AGM to which the requests relate; or
- at least 50 members who have a right to vote on the resolution at the AGM 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 Shareholder(s) making it; and
- (c) be received by the Company not later than 6 weeks before the relevant AGM 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 at 16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong.

## Constitutional Documents

Shareholders' rights are also set out in the Articles of Association of the Company which is available on the Company's website. There is no significant change in the Company's Articles of Association during the financial year ended 31 December 2016.