

CORPORATE GOVERNANCE REPORT

企業管治報告

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating the elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole. The Board strives to uphold good corporate governance and adopt sound corporate governance practices continuously in the interest of Shareholders to enhance the overall performance of the Group. The principles and applicable code provisions of the Corporate Governance Code (the "CG Code") contained in the Appendix 14 to the Listing Rules have been adopted by and complied with the Group throughout the year except for the following deviation.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. For the year ended 31 December 2015, as the Board considered that vesting the roles of chairman and CEO in the same individual was beneficial to the business prospects and management of the Group, chairman of the Board and CEO were performed by Mr. Chi until he tendered his resignation on 29 October 2015. Mr. Wu has been appointed as the CEO since Mr. Chi's resignation. Mr. Chan has been appointed as the chairman of the Board with effect from 25 February 2016.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2015.

企業管治守則

董事認同，為達致向本公司整體股東有效的問責性，在本集團管理架構及內部監控程序引進良好的企業管治元素非常重要。董事會一直努力貫徹良好企業管治，並繼續以本公司股東利益為依據，採用健全企業管治常規，以提高本集團的整體表現。年內，本集團已採納並遵守上市規則附錄十四所載列之企業管治守則（「企業管治守則」）的原則及適用守則條文，惟以下偏離除外。

根據企業管治守則的守則條文第A.2.1條，主席及最高行政人員的角色應予區分，不應由同一人擔任。截至二零一五年十二月三十一日止年度，由於董事會認為主席及總裁職位由同一人兼任有利於本集團的業務前景及管理，因此遲先生兼任董事會主席及總裁，直至彼於二零一五年十月二十九日辭任為止。吳先生自遲先生辭任起獲委任為總裁。陳先生自二零一六年二月二十五日起獲委任為董事會主席。

董事進行證券交易的標準守則

本公司已採納上市規則附錄十所載標準守則作為董事進行證券交易的操守準則。於作出具體查詢時，全體董事已確認，彼等於截至二零一五年十二月三十一日止年度內一直遵守標準守則所載的規定標準及有關董事進行證券交易的操守準則。

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2015, the Board comprises three executive Directors, two non-executive Directors and four independent non-executive Directors. The composition of the Board as at 31 December 2015 was as follows:

Executive Directors

Mr. Wu Chi Luen (CEO)
Mr. Lu Chengye (Vice CEO)
Ms. Wang Fang (Vice CEO)

Non-executive Directors

Mr. Chan Sek Keung, Ringo
Mr. Wong Kui Shing, Danny

Independent Non-executive Directors

Mr. Thomas Tam
Mr. Pao Ping Wing
Mr. Qu Wen Zhou
Mr. Lu, Brian Yong Chen

The biographical details of all Directors are set out in pages 33 to 39 of this report. Save as disclosed herein, to the best knowledge of the Company, there is no other financial, business, family or other material or relevant relationships among the members of the Board.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Board brings a variety of experiences and expertise to the Company.

Functions of the Board

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, considering and approving overall development strategies, financial objectives, annual budget, investment proposals, monitoring and controlling the operation and financial performance, internal control and risk management systems of the Group and to assume the responsibilities of corporate governance of the Group.

董事會

董事會的組成

於二零一五年十二月三十一日，董事會由三名執行董事、兩名非執行董事及四名獨立非執行董事組成。於二零一五年十二月三十一日，董事會成員為：

執行董事

吳季倫先生(總裁)
路成業先生(副總裁)
王芳女士(副總裁)

非執行董事

陳錫強先生
王鉅成先生

獨立非執行董事

談國慶先生
浦炳榮先生
屈文洲先生
呂永琛先生

全體董事的詳細履歷載於本報告第33至39頁。除本報告所披露者外，就本公司所深悉，董事會成員之間並無任何其他財務、業務、親屬或其他重大或相關關係。

董事會結構平衡，每名董事均具備與本集團業務有關之深厚行業知識、豐富企業及策略規劃經驗及／或專業知識。董事會為本公司帶來各種各樣的經驗及專業知識。

董事會的職能

董事會負責監管本集團的所有重大事項，包括制定及審批所有政策事宜、考慮及批核本集團的整體發展策略、財務目標、年度預算、投資建議、監管及控制營運及財務表現、內部控制及風險管理體系，以及承擔本集團企業管治的責任。

CORPORATE GOVERNANCE REPORT (CONTINUED)
企業管治報告(續)**BOARD OF DIRECTORS** (Continued)**Board meetings and Board practices**

During the year ended 31 December 2015, the Board held 14 meetings, among which, 4 meetings were regular Board meetings. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association. The company secretary of the Company (the "Company Secretary") will assist the chairman of the Board, or executive Director when the position of the chairman of the Board is vacant, to prepare the agenda of the meeting and all Directors have the opportunity to include matters in the agenda for the Board meetings. Notices of at least 14 days for regular Board meetings are given to the Directors and Board procedures in compliance with the Articles of Association, as well as relevant rules and regulations. The Directors are provided with relevant materials relating to the matters brought before the meetings. All Directors have separate and independent access to the senior management and the Company Secretary at all time and will be able to seek independent professional advice at the Company's expenses. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. All minutes of Board meetings were recorded in sufficient details of the matters considered by the Board and the decisions reached.

The numbers of the Board meetings held and the attendances of each Director at the Board meetings for the year ended 31 December 2015 have been set out as follows:

董事會 (續)**董事會會議及董事會常規**

截至二零一五年十二月三十一日止年度，董事會召開了十四次會議，而當中四次會議為定期董事會會議。根據組織章程細則，董事可親身或透過其他電子通信方式出席會議。本公司的公司秘書（「公司秘書」）將協助董事會主席（或倘董事會主席一職懸空，則為執行董事）預備會議議程，所有董事均有機會將任何事宜加入董事會會議議程之內。本公司至少提前14日向董事發出定期董事會會議通告，而董事會程序均遵守組織章程細則及相關規則及規例。董事將於會議召開之前獲提供與相關事項有關之材料。所有董事均可隨時單獨與高級管理層及公司秘書聯繫，並可尋求獨立專業意見，費用由本公司承擔。公司秘書亦負責確保各董事遵守董事會會議程序，並就遵守董事會會議程序的事宜向董事會提供意見。所有董事會會議的紀錄均需足夠詳細地記錄董事會已考慮的事項及作出的決定。

截至二零一五年十二月三十一日止年度，已召開之董事會會議次數及各董事出席董事會會議之情況如下：

| No. of Board meetings held: | 已召開董事會會議次數： | 14 |
|---|--------------------------------|-------|
| Name of the Director | 董事姓名 | |
| Executive Directors | 執行董事 | |
| Mr. Lu Chengye | 路成業先生 | 14/14 |
| Mr. Wu Chi Luen (appointed on 25 June 2015) | 吳季倫先生(於二零一五年六月二十五日獲委任) | 11/11 |
| Ms. Wang Fang (appointed on 23 December 2015) | 王芳女士(於二零一五年十二月二十三日獲委任) | 1/1 |
| Mr. Chi Shaolin (resigned on 29 October 2015) (Note 1) | 遲少林先生(於二零一五年十月二十九日辭任) (附註1) | 7/8 |
| Mr. Cheng Wen (resigned on 23 December 2015) | 程文先生(於二零一五年十二月二十三日辭任) | 12/12 |
| Non-executive Directors | 非執行董事 | |
| Mr. Wong Kui Shing, Danny (appointed on 24 September 2015) | 王鉅成先生 (於二零一五年九月二十四日獲委任) | 7/7 |
| Mr. Chan Sek Keung, Ringo (appointed on 23 December 2015) | 陳錫強先生 (於二零一五年十二月二十三日獲委任) | 1/1 |
| Independent Non-executive Directors | 獨立非執行董事 | |
| Mr. Thomas Tam | 談國慶先生 | 14/14 |
| Mr. Pao Ping Wing | 浦炳榮先生 | 14/14 |
| Mr. Qu Wen Zhou (appointed on 25 June 2015) | 屈文洲先生(於二零一五年六月二十五日獲委任) | 11/11 |
| Mr. Lu, Brian Yong Chen (appointed on 25 June 2015) | 呂永琛先生(於二零一五年六月二十五日獲委任) | 11/11 |
| Ms. Zheng Lin (resigned on 29 October 2015) | 鄭琳女士(於二零一五年十月二十九日辭任) | 8/8 |

Note 1: Mr. Chi abstained from 1 Board meeting due to conflict of interest.

附註1：遲先生因利益衝突而於一次董事會會議上避席。

CORPORATE GOVERNANCE REPORT (CONTINUED)
企業管治報告(續)

BOARD OF DIRECTORS (Continued)**General meetings**

The number of general meetings held and the attendance of each Director at the general meeting for the year ended 31 December 2015 have been set out as follows:

董事會(續)**股東大會**

截至二零一五年十二月三十一日止年度，已召開之股東大會次數及各董事出席股東大會之情況如下：

| No. of general meetings held: | 已召開股東大會次數： | 2 |
|---|--------------------------------|-----|
| Name of the Director | 董事姓名 | |
| Executive Directors | 執行董事 | |
| Mr. Lu Chengye | 路成業先生 | 2/2 |
| Mr. Wu Chi Luen (appointed on 25 June 2015) | 吳季倫先生(於二零一五年六月二十五日獲委任) | 0/0 |
| Ms. Wang Fang (appointed on 23 December 2015) | 王芳女士(於二零一五年十二月二十三日獲委任) | 0/0 |
| Mr. Chi Shaolin (resigned on 29 October 2015) (Note 1) | 遲少林先生(於二零一五年十月二十九日辭任) (附註1) | 1/2 |
| Mr. Cheng Wen (resigned on 23 December 2015) | 程文先生(於二零一五年十二月二十三日辭任) | 0/2 |
| Non-executive Directors | 非執行董事 | |
| Mr. Wong Kui Shing, Danny (appointed on 24 September 2015) | 王鉅成先生 (於二零一五年九月二十四日獲委任) | 0/0 |
| Mr. Chan Sek Keung, Ringo (appointed on 23 December 2015) | 陳錫強先生 (於二零一五年十二月二十三日獲委任) | 0/0 |
| Independent Non-executive Directors | 獨立非執行董事 | |
| Mr. Thomas Tam | 談國慶先生 | 1/2 |
| Mr. Pao Ping Wing | 浦炳榮先生 | 1/2 |
| Mr. Qu Wen Zhou (appointed on 25 June 2015) | 屈文洲先生(於二零一五年六月二十五日獲委任) | 0/0 |
| Mr. Lu, Brian Yong Chen (appointed on 25 June 2015) | 呂永琛先生(於二零一五年六月二十五日獲委任) | 0/0 |
| Ms. Zheng Lin (resigned on 29 October 2015) | 鄭琳女士(於二零一五年十月二十九日辭任) | 1/2 |

Note 1: Mr. Chi abstained from 1 general meeting due to conflict of interest.

附註1：遲先生因利益衝突而於一次股東大會上避席。

Directors' appointment, re-election and removal

Each of the executive Directors, non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of three years, all are subject to termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

委任、重選及罷免董事

各執行董事、非執行董事及獨立非執行董事已與本公司訂立服務合約，為期三年，根據服務合約的條文，所有服務合約均可終止，或其中一方可向對方發出至少三個月的事先書面通知而終止。

By virtue of article 83(3) of the Articles of Association, Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy of the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

根據組織章程細則第83(3)條，董事有權不時及隨時委任任何人士為董事以填補董事會的臨時空缺或增添現時董事會人數。任何獲董事會委任以填補臨時空缺的董事的任期將直至其獲委任後的首個股東大會為止，惟可於該大會上膺選連任。任何獲董事會委任以增添現時董事會人數的董事的任期僅直至本公司下屆股東週年大會為止，屆時將合資格膺選連任。

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

BOARD OF DIRECTORS (Continued)

Directors' appointment, re-election and removal (Continued)

In compliance with the code provision A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Independent Non-executive Directors

Independent non-executive Directors have played a crucial role in the Board by providing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of the Shareholders will be taken into account, and the interests of the Company and the Shareholders can be protected.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Board consists of five independent non-executive Directors, representing not less than one-third of the Board, among the five independent non-executive Directors, Mr. Tam, possessing appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received the annual written confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers that all the independent non-executive Directors, namely, Mr. Tam, Mr. Pao, Mr. Qu, Mr. Lu, Brian Yong Chen and Mr. Huang, are independent and they all meet the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

董事會(續)

委任、重選及罷免董事(續)

根據企業管治守則條文第A.4.2條，全體董事均須最少每三年退任一次。此外，根據組織章程細則第84(1)條，在每屆股東週年大會上，當時在任的三分之一董事(或若其人數並非三(3)的倍數，則以最接近但不少於三分之一的人數)將輪席告退，惟每名董事須最少每三年於股東週年大會上退任一次。

獨立非執行董事

獨立非執行董事於董事會內擔當重要角色，於董事會會議上提供獨立判斷並詳查本集團的表現，其意見對董事會的決定起重要作用，特別是，他們就本集團的策略事項、表現及控制提供公正意見。全體獨立非執行董事擁有廣泛的學術、專業及行業專長及管理經驗，及向董事會提供專業意見。獨立非執行董事會考慮股東的全部利益，亦會保障本公司及其股東的利益，就本集團的業務策略、業績及管理提供獨立意見。

遵照上市規則第3.10(1)條及3.10A條的規定，董事會包括五名獨立非執行董事，佔董事會不少於三分之一人數，而五名獨立非執行董事中，其中一名(談先生)擁有合適的會計專業資格或相關財務管理專業知識，符合上市規則第3.10(2)條的規定。

本公司已收到各獨立非執行董事根據上市規則第3.13條發出的年度獨立性確認書。本公司按照有關確認，認為所有獨立非執行董事(談先生、浦先生、屈先生、呂永琛先生及黃先生)均為獨立人士，且彼等均符合上市規則第3.13條所列之特定獨立指引。

CORPORATE GOVERNANCE REPORT (CONTINUED) 企業管治報告(續)

BOARD OF DIRECTORS (Continued)

Chairman and CEO

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. For the year ended 31 December 2015, as the Board considered that vesting the roles of chairman and CEO in the same individual was beneficial to the business prospects and management of the Group, chairman of the Board and CEO were performed by Mr. Chi until he tendered his resignation on 29 October 2015. Mr. Wu has been appointed as the CEO since Mr. Chi's resignation. Mr. Chan has been appointed as the chairman of the Board with effect from 25 February 2016.

Delegation of powers

The Board delegates the authority and responsibility for implementing day-to-day operations, administration and management of the Group's businesses to the CEO, executive Directors, senior management and certain specific responsibilities to the Board committees of the Company. It is the job of the Board to determine the objectives of the Company and it is the job of the executives and senior management to decide the means by which those objectives are best achieved within rules of conduct and limits of risk that are set by the Board. When the Board delegates aspects of its management and administration functions to members of the management team, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where the management team needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The delegated functions and work tasks are regularly reviewed.

Continuous professional development

According to the code provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

For the year ended 31 December 2015, the Company had arranged to provide to all Directors with the "Guidelines for Directors" and the "Guide for Independent Non-executive Directors" issued by the Hong Kong Institute of Directors.

董事會(續)

主席兼總裁

根據企業管治守則的守則條文第A.2.1條，主席及最高行政人員的角色應區分，不應由同一人擔任。截至二零一五年十二月三十一日止年度，由於董事會認為主席及總裁職位由同一人兼任有利於本集團的業務前景及管理，因此遲先生兼任董事會主席及總裁直至彼於二零一五年十月二十九日辭任為止。吳先生自遲先生辭任起獲委任為總裁。陳先生自二零一六年二月二十五日起獲委任為董事會主席。

授權

董事會授權總裁、執行董事及高級管理層負責本集團的日常營運、行政及管理，並將特定職責授權本公司董事會之委員會。董事會負責決定本公司的目標，行政人員及高級管理層負責決定在董事會設定的行為守則及風險限制的範圍內，最有效地達成這些目標的方式。董事會授權管理層負責管理及行政職務時會對管理層的權力作出明確指示，特別是代表本公司作出決定或訂立任何承擔前須向董事會報告並獲董事會事先批准。所授權的職能及工作任務會定期進行檢討。

持續專業發展

根據企業管治守則的守則條文第A.6.5條，全體董事須參加持續專業發展計劃，以培育及增進彼等之知識及技巧，確保彼等在知情及切合所需情況下繼續對董事會作出貢獻。本公司須負責安排及資助培訓課程，並適切著重董事之角色、職能及職務。

於截至二零一五年十二月三十一日止年度，本公司已安排為全體董事提供由香港董事學會刊發之「董事指引」及「獨立非執行董事指引」。

CORPORATE GOVERNANCE REPORT (CONTINUED)
企業管治報告(續)**BOARD OF DIRECTORS** (Continued)**Continuous professional development** (Continued)

The Company also updates the Directors and senior management on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. In particular, training sessions covering topics including the CG Code and the disclosure of inside information had been held during the year ended 31 December 2015.

According to the records provided by the Directors, a summary of the training received by the Directors for the year ended 31 December 2015 is as follows:

董事會(續)**持續專業發展**(續)

本公司亦不時向董事及高級管理層告知有關上市規則及其他適用監管規定的最新進展，確保彼等遵守及增強關注良好企業管治常規。具體而言，本公司已於截至二零一五年十二月三十一日止年度舉行培訓課程，課題涵蓋企業管治守則及內幕消息披露。

根據董事提供的記錄，董事於截至二零一五年十二月三十一日止年度的培訓資料概述如下：

| Name of Directors 董事姓名 | | Reading materials 閱覽材料 | Attending training/briefing sessions 出席培訓課程／簡報會 |
|---|-----------------------------|---------------------------|--|
| Executive Directors | 執行董事 | | |
| Mr. Lu Chengye | 路成業先生 | ✓ | ✓ |
| Mr. Wu Chi Luen (appointed on 25 June 2015) | 吳季倫先生 (於二零一五年六月二十五日獲委任) | ✓ | ✓ |
| Ms. Wang Fang (appointed on 23 December 2015) | 王芳女士 (於二零一五年十二月二十三日獲委任) | ✓ | ✓ |
| Mr. Chi Shaolin (resigned on 29 October 2015) | 遲少林先生 (於二零一五年十月二十九日辭任) | ✓ | ✓ |
| Mr. Cheng Wen (resigned on 23 December 2015) | 程文先生 (於二零一五年十二月二十三日辭任) | ✓ | ✓ |
| Non-executive Directors | 非執行董事 | | |
| Mr. Wong Kui Shing, Danny (appointed on 24 September 2015) | 王鉅成先生 (於二零一五年九月二十四日獲委任) | ✓ | ✓ |
| Mr. Chan Sek Keung, Ringo (appointed on 23 December 2015) | 陳錫強先生 (於二零一五年十二月二十三日獲委任) | ✓ | ✓ |
| Independent non-executive Directors | 獨立非執行董事 | | |
| Mr. Thomas Tam | 談國慶先生 | ✓ | ✓ |
| Mr. Pao Ping Wing | 浦炳榮先生 | ✓ | ✓ |
| Mr. Qu Wen Zhou (appointed on 25 June 2015) | 屈文洲先生 (於二零一五年六月二十五日獲委任) | ✓ | ✓ |
| Mr. Lu, Brian Yong Chen (appointed on 25 June 2015) | 呂永琛先生 (於二零一五年六月二十五日獲委任) | ✓ | ✓ |
| Ms. Zheng Lin (resigned on 29 October 2015) | 鄭琳女士 (於二零一五年十月二十九日辭任) | ✓ | ✓ |

Liability insurance for directors

The Company has subscribed appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities since 31 March 2015.

董事責任保險

本公司已自二零一五年三月三十一日起購買適合及充足保險，以覆蓋董事就企業活動期間產生對董事所提出法律訴訟的責任。

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

BOARD COMMITTEES

The Board has established (i) the Audit Committee; (ii) the C&B Committee; and (iii) the Nomination Committee, with defined terms of reference. The latest versions of the terms of reference of the Board committees which explain their respective role and the authority delegated to them by the Board are available on the websites of the Stock Exchange and the Company. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

Composition

The Company established the Audit Committee pursuant to a resolution of Directors passed on 25 October 2010 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has set up the written terms of reference which was revised on 22 March 2012 first and further revised on 26 November 2015. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting at least at half-year intervals, and oversee the internal control procedures and risk management policies of the Company constantly. The Audit Committee currently consists of five members, namely, Mr. Tam, Mr. Pao, Mr. Qu, Mr. Lu, Brian Yong Chen and Mr. Huang as at the date of this report, all of whom are independent non-executive Directors. Mr. Tam currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2015, the consolidated financial statements for the year ended 31 December 2015 and this report.

During the year ended 31 December 2015, the Audit Committee held 2 meetings to make recommendation on the re-appointment of external auditors, review financial statements, financial reporting system, internal control procedures and risk management policies of the Company. And the attendance of each Audit Committee member for the year have been set out as follows:

| No. of Audit Committee meetings held: | 已召開審核委員會會議次數： | 2 |
|---|------------------------|-----|
| Name of the Audit Committee members | 審核委員會成員姓名 | |
| Mr. Thomas Tam | 談國慶先生 | 2/2 |
| Mr. Pao Ping Wing | 浦炳榮先生 | 2/2 |
| Mr. Qu Wen Zhou (appointed on 25 June 2015) | 屈文洲先生(於二零一五年六月二十五日獲委任) | 1/1 |
| Mr. Lu, Brian Yong Chen (appointed on 25 June 2015) | 呂永琛先生(於二零一五年六月二十五日獲委任) | 1/1 |
| Ms. Zheng Lin (resigned on 29 October 2015) | 鄭琳女士(於二零一五年十月二十九日辭任) | 2/2 |

董事委員會

董事會已成立(i)審核委員會；(ii)薪酬及福利委員會；及(iii)提名委員會，並已界定其職權範圍。董事委員會最新版本的職權範圍可於聯交所及本公司網站查詢，當中說明彼等各自的職務及獲董事會授權的權限。董事委員會獲提供足夠的資源履行其責任，及於合理要求時可在適當情況下尋求獨立專業意見及其他援助，費用概由本公司支付。

審核委員會

組成

本公司的審核委員會乃根據董事於二零一零年十月二十五日通過的決議案並遵照上市規則第3.21條而成立。審核委員會已訂明書面職權範圍，並於二零一二年三月二十二日作首次修訂，及於二零一五年十一月二十六日作進一步修訂。審核委員會的主要職責乃就委聘及辭退外聘核數師向董事會作出推薦建議、至少每半年審閱財務報表及有關財務報告的重要意見，以及不時監督本公司的內部監控程序及風險管理政策。於本報告日期，審核委員會目前由五名成員組成，包括談先生、浦先生、屈先生、呂永琛先生及黃先生(全為獨立非執行董事)，而談先生目前擔任審核委員會主席。審核委員會已採納與企業管治守則適用守則條文一致的職權範圍。

審核委員會已審閱本集團截至二零一五年十二月三十一日止年度的全年業績、截至二零一五年十二月三十一日止年度的綜合財務報表及本報告。

截至二零一五年十二月三十一日止年度，審核委員會召開兩次會議以建議重選外聘核數師、審閱本公司的財務報表、財務報告系統、內部監控程序及風險管理政策。本年度各審核委員會成員出席之情況如下：

CORPORATE GOVERNANCE REPORT (CONTINUED)
企業管治報告(續)

BOARD COMMITTEES (Continued)**C&B Committee****Composition**

The Company established the C&B Committee pursuant to a resolution of Directors passed on 25 October 2010 in compliance with Rule 3.25 of the Listing Rules. The C&B Committee has set up with written terms of reference which was revised on 22 March 2012. The primary duties of the C&B Committee are to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company. The compensation and remuneration of all Directors and senior management of the Company is subject to regular review by the C&B Committee to ensure that the levels of their remuneration and compensation are appropriate and none of the Directors determine their own remuneration. The C&B Committee currently consists of five members, namely, Mr. Lu, Brian Yong Chen, Mr. Tam, Mr. Qu, Mr. Huang (all are independent non-executive Directors) and Mr. Wu (an executive Director) as at the date of this report. Mr. Lu, Brian Yong Chen currently serves as the chairman of the C&B Committee.

During the year ended 31 December 2015, the C&B Committee held 5 meetings to review and make recommendation on the remuneration policy and structure relating to Directors and senior management of the Company. And the attendance of each C&B Committee member for the year have been set out as follows:

董事委員會(續)**薪酬及福利委員會****組成**

本公司的薪酬及福利委員會乃根據董事於二零一零年十月二十五日通過的決議案並遵照上市規則第3.25條而成立。薪酬及福利委員會設有書面職權範圍(於二零一二年三月二十二日修訂)。薪酬及福利委員會的主要職責是就有關本公司所有董事及高級管理層之整體薪酬政策及架構向董事會提供建議。本公司的所有董事及高級管理層的酬金及薪酬均由薪酬及福利委員會定期監察，以確保彼等的薪酬及酬金保持適當水平，且確保概無董事自行釐定自己的薪酬。於本報告日期，薪酬及福利委員會目前由五名成員組成，包括呂永琛先生、談先生、屈先生、黃先生(均為獨立非執行董事)及吳先生(執行董事)，而呂永琛先生目前擔任薪酬及福利委員會主席。

截至二零一五年十二月三十一日止年度，薪酬及福利委員會召開五次會議以審閱及建議有關本公司董事及高級管理層的薪酬政策及架構。本年度各薪酬及福利委員會成員出席之情況如下：

| No. of C&B Committee meetings held: | 已召開薪酬及福利委員會會議次數： | 5 |
|---|------------------------|-----|
| Name of C&B Committee members | 薪酬及福利委員會成員姓名 | |
| Mr. Thomas Tam | 談國慶先生 | 5/5 |
| Mr. Lu, Brian Yong Chen (appointed on 25 June 2015) | 呂永琛先生(於二零一五年六月二十五日獲委任) | 3/3 |
| Mr. Wu Chi Luen (appointed on 29 October 2015) | 吳季倫先生(於二零一五年十月二十九日獲委任) | 1/1 |
| Mr. Qu Wen Zhou (appointed on 25 June 2015) | 屈文洲先生(於二零一五年六月二十五日獲委任) | 3/3 |
| Mr. Lu Chengye (resigned on 29 October 2015) | 路成業先生(於二零一五年十月二十九日辭任) | 4/4 |
| Ms. Zheng Lin (resigned on 29 October 2015) | 鄭琳女士(於二零一五年十月二十九日辭任) | 4/4 |

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

BOARD COMMITTEES (Continued)

Remuneration policy for Directors and senior management

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the C&B Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend. Such amount has to be approved by the C&B Committee.

The Company has adopted a Share Option Scheme on 25 October 2010. The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any invested entity.

Nomination Committee

Composition

The Company established a nominating and corporate governance committee pursuant to a resolution of Directors passed on 25 October 2010 (which was renamed as Nomination Committee on 22 March 2012). The Nomination Committee has set up the written terms of reference which was revised on 22 March 2012. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for Directors after consideration of the nominees' independence and quality in order to ensure fairness and transparency of all nominations. The Nomination Committee currently consists of five members, namely Mr. Wong (a non-executive Director), Mr. Tam, Mr. Pao, Mr. Qu and Mr. Huang (all are independent non-executive Directors) as at the date of this report. Mr. Wong currently serves as the chairman of the Nomination Committee.

The Nomination Committee adopted the board diversity policy in August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

董事委員會(續)

董事及高級管理層的薪酬政策

本集團的僱員薪酬政策按彼等的價值、資歷及能力而釐定。

董事酬金乃經考慮本公司經營業績、個人表現、經驗、職責、工作量及投入本公司的時間，以及可資比較的市場統計資料後，由薪酬及福利委員會建議。各執行董事均可享底薪，底薪會按年檢討。另外，各執行董事可按董事會的建議收取酌定花紅，酌定花紅須經薪酬及福利委員會審批。

本公司已於二零一零年十月二十五日採納購股權計劃。購股權計劃旨在令本公司向選定合資格參與人士授出購股權，作為彼等對本集團所作出貢獻之鼓勵或獎勵，及／或令本集團能聘用及挽留優秀僱員，以及吸引對本集團及任何投資實體具有價值的人力資源。

提名委員會

組成

本公司的提名及企業管治委員會(於二零一二年三月二十二日重新命名為提名委員會)乃根據董事於二零一零年十月二十五日通過的決議案而成立。提名委員會設有書面職權範圍(於二零一二年三月二十二日修訂)。提名委員會的主要職責乃定期檢討董事會的架構、規模及組成，並在考慮提名人的獨立性及質素後向董事會推薦合適的董事候選人，以確保所有提名公平及具透明度。於本報告日期，提名委員會目前由五名成員組成，包括王先生(非執行董事)、談先生、浦先生、屈先生及黃先生(均為獨立非執行董事)組成，而王先生目前擔任提名委員會主席。

提名委員會於二零一三年八月採納董事會多元化政策。本公司明白及信納董事會多元化能提升表現質素的裨益。甄選人選將按一系列多元化範疇為基準，包括但不限於性別、年齡、文化及教育背景、種族、專業經驗、技能、知識及服務任期。最終將按人選之長處及可為董事會提供之貢獻而作決定。

CORPORATE GOVERNANCE REPORT (CONTINUED)
企業管治報告(續)

BOARD COMMITTEES (Continued)**Nomination Committee** (Continued)**Composition** (Continued)

During the year ended 31 December 2015, the Nomination Committee held 5 meetings to review the structure, size and composition of the Board. And the attendance of each Nomination Committee member for the year have been set out as follows:

董事委員會(續)**提名委員會**(續)**組成**(續)

截至二零一五年十二月三十一日止年度，提名委員會召開五次會議以檢討董事會的架構、規模及組成。本年度各提名委員會成員出席之情況如下：

| No. of Nomination Committee meetings held: | 已召開提名委員會會議次數： | 5 |
|---|----------------------------|-----|
| Name of the Nomination Committee members | 提名委員會成員姓名 | |
| Mr. Thomas Tam | 談國慶先生 | 5/5 |
| Mr. Pao Ping Wing | 浦炳榮先生 | 5/5 |
| Mr. Qu Wen Zhou (appointed on 25 June 2015) | 屈文洲先生(於二零一五年六月二十五日獲委任) | 3/3 |
| Mr. Wong Kui Shing, Danny (appointed on 29 October 2015) | 王鉅成先生 (於二零一五年十月二十九日獲委任) | 1/1 |
| Mr. Chi Shaolin (resigned on 29 October 2015) | 遲少林先生(於二零一五年十月二十九日辭任) | 4/4 |

Corporate governance functions

The Company's corporate governance functions are carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the CG Code, which include (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 the Directors and senior management of the Group; (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 of the Group and the Directors; and (e) to review the Company's compliance with the applicable CG Code and disclosure in the corporate governance report.

企業管治職能

董事會根據董事會為符合企業管治守則的守則條文第D.3.1條而採納的書面職權範圍履行本公司的企業管治職能，包括(a)制定及審閱本公司的企業管治政策及慣例，並向董事會提出推薦意見；(b)檢討及監察董事及本集團高級管理層的培訓及持續專業發展；(c)檢討及監察本公司的政策及慣例是否符合法律及監管規定；(d)制定、檢討及監察適用於本集團僱員及董事的行為守則及合規手冊(如有)；及(e)檢討本公司是否遵守適用的企業管治守則及企業管治報告中作出的披露。

CORPORATE GOVERNANCE REPORT (CONTINUED)
企業管治報告(續)

FINANCIAL REPORTING

The Board, supported by the finance department, is responsible for the preparation of the Group's financial statements for each financial year which shall give a true and fair view of the financial position, performance and cash flows of the Group for that year. In preparing the financial statements for the year ended 31 December 2015, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of the Company's external auditors, Ernst & Young, on the financial statements are set out in the section headed "Independent Auditors' Report" in this report.

External auditors' remuneration

During the year ended 31 December 2015, the fees paid or payable to the Company's external auditors in respect of their audit and non-audit services were as follows:

| Type of Services | 服務類別 | RMB '000 人民幣千元 |
|--------------------------|--------|-------------------|
| Non-audit services | 非核數服務 | 1,117 |
| Statutory audit services | 法定核數服務 | 2,300 |
| Total | 總計 | 3,417 |

財務呈報

董事會在財務部門的支持下負責編製本集團每個財政年度的財務報表，該等財務報表真實及公正地反映本集團於該年度的財務狀況、表現及現金流量。編製截至二零一五年十二月三十一日止年度的財務報表時，董事會已選取適用會計政策並貫徹使用，並審慎、公允而合理地作出判斷及估計，以及按持續經營基準編製財務報表。董事有責任作出一切合理而必須的步驟，保護本集團的資產，並且防止及偵查欺詐及其他異常情況。董事會並不知悉任何有關可能對本集團按持續基準繼續經營的能力構成重大疑問的事件或情況的任何重大不明朗因素。

本公司的外聘核數師安永會計師事務所就財務報表之責任載於本報告「獨立核數師報告」一節。

外聘核數師酬金

於截至二零一五年十二月三十一日止年度，就核數及非核數服務已付或應付本公司外聘核數師的費用如下：

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, Ms. Ho Wing Yan (“Ms. Ho”), who was appointed as the Company Secretary. Mr. Wu, executive Director and CEO of the Company, is the primary corporate contact person of the Company with Ms. Ho.

Being the Company Secretary, Ms. Ho plays an important role in supporting the Board by ensuring effective exchange of information within the Board and that Board policy and procedures are followed. Ms. Ho is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors.

Ms. Ho is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho continues to study professional course of corporate governance and has extensive experience in the company secretarial field for listed companies. Ms. Ho is also a holder of the Practitioner’s Endorsement issued by The Hong Kong Institute of Chartered Secretaries. According to Rule 3.29 of the Listing Rules, Ms. Ho took more than 15 hours of relevant professional training for the year ended 31 December 2015.

INVESTORS AND SHAREHOLDERS RELATIONS

During the year ended 31 December 2015, there has been no significant change in the Company’s constitutional documents.

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders and investors of the Company. The Board also recognises that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company’s website at <http://www.hong-lin.com.cn>. The Board continues to maintain regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group’s strategy, operations, management and plans. The Directors and the members of the Board committees would attend and are available to answer questions at general meetings of the Company. Separate resolutions would be proposed at general meetings of the Company on each substantially separate issue.

公司秘書

本公司與外聘服務供應商訂立服務合約，據此何詠欣女士(「何女士」)獲委任為公司秘書。本公司執行董事兼總裁吳先生，為何女士於本公司之主要企業聯絡人。

作為公司秘書，何女士於支援董事會方面擔當重任，確保董事會成員間有效交流資訊，以及董事會政策及程序得以遵守。何女士負責就企業管治事宜向董事會提供意見，亦應安排董事的入職培訓及專業發展。

何女士為英國特許秘書及行政人員公會及香港特許秘書公會會員。何女士一直修讀企業管治專業課程，並於擔任上市公司之公司秘書方面擁有豐富經驗。何女士亦持有由香港特許秘書公會發出的執業認可證明。根據上市規則第3.29條，於截至二零一五年十二月三十一日止年度，何女士已接受超過十五小時的相關專業培訓。

投資者及股東關係

於截至二零一五年十二月三十一日止年度，本公司的組織章程文件並無重大變更。

董事會認同與本公司股東及投資者保持清晰、及時而有效的溝通的重要性。董事會亦認同與投資者進行有效溝通是建立投資者信心及吸引新投資者的關鍵所在。因此，本集團致力保持高透明度，確保投資者及股東通過刊發年報、中期報告、公告及通函得到準確、清晰、完整而及時的集團資料，而本公司亦在公司網站<http://www.hong-lin.com.cn>刊發全部企業通信。董事會持續與機構投資者及分析員保持定期溝通，不時讓彼等得悉本集團的策略、營運、管理及計劃。董事及董事委員會成員會出席本公司的股東大會並解答問題。各重大議題須以獨立決議案方式於本公司股東大會上提呈。

CORPORATE GOVERNANCE REPORT (CONTINUED)

企業管治報告(續)

INVESTORS AND SHAREHOLDERS RELATIONS

(Continued)

Shareholders' rights

In accordance with the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all votes of the Shareholders at general meetings shall be taken by poll. The results of voting by poll will be published on the websites of the Stock Exchange and the Company respectively.

How Shareholders can convene an extraordinary general meeting and put forward proposals at Shareholders' meetings

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary by mail at 33rd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's correspondence address in Hong Kong.

投資者及股東關係(續)

股東權利

根據上市規則，除主席以誠實信用的原則做出決定，容許純粹有關程序或行政事宜的決議案以舉手方式表決外，於股東大會上任何股東必須以投票方式表決。因此，股東於股東大會的所有投票須以投票方式表決。投票結果將分別在聯交所及本公司的網站上公佈。

股東如何召開股東特別大會及於股東大會上提出建議

根據組織章程細則第58條，任何於發出要求當日持有有權於本公司股東大會上投票的本公司繳足股本不少於十分之一的一名或多名股東，有權透過郵寄至香港灣仔港灣道6-8號瑞安中心33樓向董事會或公司秘書致函要求董事會召開股東特別大會，以處理該等要求列明的任何事項，而該等會議須在發出要求後兩個月內召開。如董事會在發出要求後21天內未能召開有關會議，則提出該要求的股東可自行召開會議，且因董事會未能召開會議而產生的所有合理的費用均須由本公司承擔。

股東可向董事會提出查詢的程序

股東可將書面要求發送至本公司在香港的通信地址，藉此向董事會提交建議或諮詢。

CORPORATE GOVERNANCE REPORT (CONTINUED)
企業管治報告(續)**RISK MANAGEMENT AND INTERNAL CONTROL**

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

風險管理及內部監控

年內，董事會已遵守企業管治守則所載之風險管理及內部監控守則條文。董事會有整體責任評估及釐定本集團為達成戰略目標所願承擔的風險性質及程度，並維持本集團適當及有效的風險管理及內部監控系統。系統旨在管理未能達成業務目標的風險，而且只能就不會有重大的失實陳述或損失作出合理而非絕對的保證。

本公司管理層就業務、財務及風險監控方面建立了一套綜合政策、標準及程序，以保障資產不會在未經授權情況下遭使用或處置；妥善保存會計記錄；並保證財務資料的可靠性，藉以合理保證不會出現欺詐及錯誤情況。

董事會持續監督本公司的風險管理及內部監控系統，每年會對本公司及其附屬公司的風險管理及內部監控系統的有效性進行年終回顧，而該等系統被認為有效且適當。本公司亦設有內部審核職能，以對該等系統是否足夠及有效進行分析及獨立評估，並設有程序以確保資料保密及管理實質或潛在的利益衝突。內部監控架構設計嚴密，以防範不當使用內幕消息及避免利益衝突。