

# Corporate Governance Report

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are of the opinion that during the year 2015, the Company has properly operated in accordance with the “Corporate Governance Code and Corporate Governance Report” (“**CG Code**”) which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (“**Listing Rules**”). The Company has complied with the code provisions and one of the recommended best practices of the CG Code for the period from 1 January 2015 to 31 December 2015 except for one deviation of code provisions as stated in the section headed “Compliance with CG Code” below.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code to better enhance the Company’s shareholders’ value and proper management of corporate assets in the following ways:

1. ensuring the decision-making process, risk management process, internal audit and controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;
2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and Directors and emphasising the importance of their roles in such an environment; and
3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

## COMPLIANCE WITH CG CODE

The Directors confirm that, for the financial year ended 31 December 2015, the Company has complied with the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules save for the deviation mentioned below:

Mr. Cheok Ho Fung was the Chairman as well as the Chief Executive Officer of the Company. This arrangement deviated from the provision of A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Directors are of the opinion that the arrangement would provide stronger leadership of the management for the Group and enable effective business planning. The Directors believe that it does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

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## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted its own code of conduct ("**Own Code**") regarding securities transactions by Directors on 7 April 2005 and was revised by the Directors on 10 September 2009, 26 March 2013 and 18 August 2014 respectively on terms no less exacting than the required standard set out in the Model Code.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the year 2015. Members of the Company's management, who, due to their positions in the Company, are likely to be in possession of inside information, have also complied with the provisions of the Own Code.

The updated Own Code has been uploaded on the website of the Company.

## THE BOARD OF DIRECTORS

As at 31 December 2015, the Board consisted of five Directors, with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance and investment professions. Their brief biographical particulars are set out on pages 52 to 63 of this annual report. List of Directors and Their Role and Function which sets out the members and composition of the Board has been uploaded on the Stock Exchange's website and the Company's website.

Members of the Board and their respective attendance to Board meetings and general meetings held during the year ended 31 December 2015 are as follows:

<b>Name of Directors</b>	<b>Number of attendance at Board meetings</b>	<b>Number of attendance at general meetings</b>
<b>Executive Director</b>		
Mr. Cheok Ho Fung ( <i>the Chairman and Chief Executive Officer</i> )	6/6	1/1
<b>Non-executive Director</b>		
Mr. Tang Yok Lam, Andy	6/6	1/1
<b>Independent Non-executive Directors</b>		
Mr. Leung Shu Kin, Alfred	6/6	1/1
Mr. Wong Wing Kee	5/6	1/1
Mr. Ng Kee Sin	6/6	1/1

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The number of Board meetings held during the year ended 31 December 2015 was six.

The number of general meetings held during the year ended 31 December 2015 was one.

During the year 2015, the Company has maintained the minimum requirements of the Listing Rules as to the number of Independent Non-executive Directors as three and, one of whom has accounting and related financial management expertise. They have dedicated to provide the Company with professional advice with respect to the steady operation and development of the Company. They also exercised supervision and coordination to safeguard interests of the Company and its shareholders. The existing Independent Non-executive Directors represent at least one-third of the Board.

Each Independent Non-executive Director as at 31 December 2015, Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin had provided an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such annual confirmation received from each of the Independent Non-executive Directors, the Company considers that all Independent Non-executive Directors are still considered to be independent for the purpose of Rule 3.13 of the Listing Rules.

Mr. Leung Shu Kin, Alfred, an Independent Non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who had business relationship with the Company during the year 2015. Mr. Leung was considered to be independent by the Company because his business dealings with the Group was considered not to be material.

There was no relationship (including financial, business, family or other material/relevant relationship(s)), between members of the Board and in particular, between the Chairman and the Chief Executive Officer for the year ended 31 December 2015 save as disclosed below:

1. Mr. Cheok Ho Fung was the Chairman as well as the Chief Executive Officer of the Company. The role of the Chairman and Chief Executive Officer was not segregated and was exercised by the same individual. The reason had been explained under the section headed "Compliance with CG Code" in this annual report. Mr. Cheok Ho Fung is the father of Mr. Cheok Lup Yin, Eric, an assistant to Mr. Cheok Ho Fung as the Chief Executive Officer of the Company and directors of various subsidiaries of the Company; and
2. Mr. Leung Shu Kin, Alfred, an Independent Non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who had business relationship with the Company as mentioned above.

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All existing Non-executive Directors have signed letters of appointment with the Company for a term of not more than three years, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company and the requirements of the Listing Rules.

The remuneration of Non-executive Directors will be reviewed by the remuneration committee of the Company ("**Remuneration Committee**") and will be fixed from time to time by the Board subject to the authority granted pursuant to the Company's Bye-laws by the shareholders at the Company's general meetings.

As at the date of publication of this annual report, the members of the Board are Mr. Liu Tingan (Executive Director, Chairman of the Board and Chief Executive Officer), Mr. Cheok Ho Fung (Executive Director and Deputy Chairman), Mr. Wong Wing Kee (Independent Non-executive Director), Mr. Ng Kee Sin (Independent Non-executive Director), Mr. Ng Man Kung (Independent Non-executive Director), Dr. Ngai Wai Fung (Independent Non-executive Director) and Mr. Lau Fai Lawrence (Independent Non-executive Director).

## THE OPERATION OF THE BOARD

The Board's main task is to supervise and direct the management of the Company to operate under good corporate governance in order to maximise value of the Company's shareholders while balancing the interest of its various stakeholders. The Board holds meetings at around quarterly interval to monitor the performance of the Company as against the budget and to be briefed with market developments, to discuss and decide on major corporate, strategic and operational issues, and to appraise any good investment opportunities available.

The major duties performed by the Board are as follows:

1. setting the Company's values and standards;
2. setting the objectives of the Company and responsibilities of the Board and its various committees;
3. establishing the strategic direction for the Company;
4. setting targets for the management of the Group;
5. monitoring the performance of the management of the Group;
6. supervising the annual and interim results of the Group;
7. ensuring that a framework of prudent and effective internal control is in place to assess and manage the risk of the Group and implementing appropriate systems to manage these risks;

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8. overseeing the management of the Company's relationships with its shareholders, customers, the community, various Government Authorities, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business;
9. identifying and assessing any matters involving a conflict of interest for a substantial shareholder or a Director;
10. determining material acquisitions and disposals of assets, investments, capital, projects, authority levels, major treasury policies, risk management policies and key human resources issues; and
11. considering and determining issues which are the responsibilities of the Board pursuant to the Company's Memorandum of Association and Bye-laws and the relevant laws and regulations in force by which the Company is governed from time to time.

The Board is also responsible for the following corporate governance duties:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations on any amendment or updating (if any);
2. to review and monitor the training and continuous professional development of Directors and the Company's senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Company's employees and Directors;
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under the CG Code; and
6. to be responsible for performing any other corporate governance duties and functions set out in the CG Code and the Listing Rules (as amended from time to time), or delegating the responsibility to a committee or committees (if applicable).

During the year of 2015, the Company had reviewed its corporate governance policy by the Board in achieving high standards of corporate governance duties. The Board will further develop and review this policy regularly and at least annually so as to make recommendations on any amendment or updating (if any).

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During the year of 2015, the Board had delegated its authority to the nomination committee of the Company ("**Nomination Committee**") to review its board diversity policy for the Company and the terms of reference of the Nomination Committee. The Board (via the reporting from the Nomination Committee) had reviewed and considered the measurable objectives that it has set for implementing the Company's board diversity policy during the year of 2015 and would, together with its Nomination Committee, regularly review the progress on achieving those objectives.

The Board delegates to the management of the Company in respect of the major corporate matters as stated below:

1. preparation of the annual and interim results of the Group to be approved by the Board;
2. execution of the corporate strategies and directions of the Group adopted by the Board;
3. implementation of sufficient systems of internal controls and risk management procedures of the Group; and
4. carrying out daily business operations and decision-making regarding the daily ordinary business of the Company, etc.

## BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established various Board Committees to oversee particular aspects of the Company's affairs. The Board Committees are governed by their respective terms of reference, which describe the authority and duties of the Board Committees and will be regularly reviewed and updated by the Board. The Board Committees include audit committee ("**Audit Committee**"), Remuneration Committee, Nomination Committee, and executive committee ("**Executive Committee**") of the Company whose terms of reference had been set out in writing respectively.

## AUDIT COMMITTEE

The Audit Committee is composed of three Independent Non-executive Directors during the year of 2015.

The chairman of the Audit Committee is an Independent Non-executive Director who has the appropriate professional qualifications and experience in accounting or related financial management expertise as required by the Listing Rules. The Audit Committee discharges its responsibilities as follows and in accordance with its existing terms of reference being adopted by the Board:

1. reviewing and monitoring the integrity of the interim and annual results and financial statements of the Company and of the Group and reviewing significant financial reporting judgements;
2. reviewing and monitoring the reporting, accounting and financial policies and practices of the Company;

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3. reviewing and primarily responsible for making recommendation to the Board on the appointment, re-appointment, retirement, resignation or removal of the Company's external auditor and reviewing their remuneration and terms of engagement, discussing their audit plan and scope of audit, and monitoring the external auditor's independence, objectivity and effectiveness of the audit process up to applicable standard, and also reporting the issues raised by the external auditor, including but not limited to those stated in their management letter addressed to the Board, implementing policy on engaging external auditor to supply non-audit services;
4. acting as the key representative body for overseeing the Company's relations with the external auditor;
5. reviewing the fairness and reasonableness of connected transaction(s) or continuing connected transaction(s) of the Company, if any;
6. ensuring full access by the respective responsible teams of the Group under corporate governance function of any concerns that may have arisen during the course of their corporate governance works;
7. conducting annual review of the effectiveness of the Group's internal control and risk management systems as delegated by the Board and considering any findings of major investigation of its internal control and risk management matters; and ensuring the Group's management has discharged its duty to have an effective internal control and risk management system including the adequacy of resources, qualifications and experience of staff from the Group; and
8. reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and the whistleblowing policy and system for employees which has been adopted by the Board on 27 March 2012.

As at 31 December 2015, the members of the Audit Committee were Mr. Ng Kee Sin (Chairman) (Independent Non-executive Director), Mr. Leung Shu Kin, Alfred (Member) (Independent Non-executive Director) and Mr. Wong Wing Kee (Member) (Independent Non-executive Director).

During the year ended 31 December 2015, three Audit Committee meetings were held (whereas two of which had been held with the attendance of the Company's external auditor) to review the financial results and reports for the year ended 31 December 2014 and for the six months ended 30 June 2015, the budget for the year of 2016, risk management and internal control processes, related party transactions, continuing connected transactions and discloseable transactions (if any), roles and responsibilities as well as works performed by the teams under corporate governance function, and the re-election of the Company's external auditor.

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The Audit Committee has reviewed the consolidated annual results and financial statements of the Group for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group.

This annual report has been reviewed by the Audit Committee.

The attendance record of each member of the Audit Committee at its meeting for the year ended 31 December 2015 is set out below:

<b>Members of Audit Committee</b>	<b>Attendance</b>
Mr. Ng Kee Sin ( <i>Chairman</i> ) ( <i>Independent Non-executive Director</i> )	3/3
Mr. Leung Shu Kin, Alfred ( <i>Member</i> ) ( <i>Independent Non-executive Director</i> )	3/3
Mr. Wong Wing Kee ( <i>Member</i> ) ( <i>Independent Non-executive Director</i> )	3/3

## **Auditor's Remuneration**

The Audit Committee of the Company is responsible for considering the appointment and re-election of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company. During the year under review, the Group is required to pay to the external auditor, BDO Limited, the following fees:

<b>Type of services provided by the external auditor</b>	<b>Fee paid/payable</b> <i>(HK\$'000)</i>
<i>Audit services:</i>	
Audit of the annual financial statements for the year ended 31 December 2015	890
<i>Non-audit services:</i>	
Review of continuing connected transaction(s)	10
Agreed-upon procedures on preliminary announcement of results	20
Agreed-upon procedures on interim financial statements for the six months ended 30 June 2015	30
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	950

As at the date of publication of this annual report, the members of the Audit Committee are Mr. Lau Fai Lawrence (Chairman) (Independent Non-executive Director), Mr. Ng Man Kung (Member) (Independent Non-executive Director), Dr. Ngai Wai Fung (Member) (Independent Non-executive Director) and Mr. Ng Kee Sin (Member) (Independent Non-executive Director).



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## REMUNERATION COMMITTEE

The Remuneration Committee performs the following roles and functions in accordance with its terms of reference and its written remuneration policy adopted by the Board:

1. ensuring formal and transparent procedures for overseeing, developing and determining policies on the remuneration packages of Directors and the Company's senior management;
2. assessing the achievement and performance and reviewing the performance-based remuneration of Executive Directors and the Company's senior management by reference to the Company's corporate goals;
3. approving the terms of Executive Directors' service agreements or letters of appointment (as appropriate);
4. providing effective supervision and administration of the Company's share option schemes and other share incentive schemes (if available);
5. determining with delegated responsibility on the remuneration packages of individual Executive Directors and the Company's senior management or recommending to the Board on Executive Director's and the Company's senior management's remuneration packages, and reviewing the remuneration of Non-executive Directors; and
6. ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the year of 2015, the Company has adopted the model to make recommendations to the Board on the remuneration packages of individual Executive Director and the Company's senior management.

During the year ended 31 December 2015, one Remuneration Committee meeting was held to discuss and review the remuneration packages and bonus (if any) of Executive Director and other Directors and the terms of their service agreement and letters of appointment, and the remuneration policy for the Company and the Group (with reference to its terms of reference and Listing Rules).

As at 31 December 2015, the Remuneration Committee comprised three members, namely Mr. Leung Shu Kin, Alfred (Chairman) (Independent Non-executive Director), Mr. Tang Yok Lam, Andy (Member) (Non-executive Director) and Mr. Wong Wing Kee (Member) (Independent Non-executive Director). All members are Non-executive Directors and the majority of whom are Independent Non-executive Directors.

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The attendance record of each member of the Remuneration Committee at its meeting for the year ended 31 December 2015 is set out below:

<b>Members of Remuneration Committee</b>	<b>Attendance</b>
Mr. Leung Shu Kin, Alfred ( <i>Chairman</i> ) ( <i>Independent Non-executive Director</i> )	1/1
Mr. Tang Yok Lam, Andy ( <i>Member</i> ) ( <i>Non-executive Director</i> )	1/1
Mr. Wong Wing Kee ( <i>Member</i> ) ( <i>Independent Non-executive Director</i> )	1/1

As at the date of publication of this annual report, the members of the Remuneration Committee are Dr. Ngai Wai Fung (Chairman) (Independent Non-executive Director), Mr. Ng Man Kung (Member) (Independent Non-executive Director) and Mr. Lau Fai Lawrence (Member) (Independent Non-executive Director).

## NOMINATION COMMITTEE

The Nomination Committee performs the following roles and functions in accordance with its nomination procedures and criteria as follows and in accordance with its terms of reference and its written nomination policy adopted by the Board:

1. determining the policy for the nomination of Directors during the year;
2. adopting the nomination procedures and the process and criteria to select and recommend candidates for directorship during the year by considering the candidates' past performance and experience, academic and working qualifications, general market conditions in accordance with the requirements set out in the Listing Rules and the Company's Bye-laws so as to make the composition of the Board filled with a variety and a balance of skills and experience;
3. reviewing regularly the roles of Directors by considering the issues of conflict of interest, their performance and conduct;
4. assessing the independence of Independent Non-executive Directors; and
5. reviewing regularly the nomination policy and board diversity policy of the Company to ensure the effectiveness of these policies and to review any progress on achieving those objectives in these policies.

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The board diversity policy of the Company is set out below:

## 1. Purpose

- 1.1 The board diversity policy ("**Policy**") sets out the approach to diversity on the board of directors of the Company ("**Board**").

## 2. Scope of Application

- 2.1 The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.
- 2.2 The Policy applies to the Board and does not apply to diversity in relation to employees of the Company and its subsidiaries ("**Group**").

## 3. Policy Statement

- 3.1 In designing the Board's composition, the Company recognises and embraces the benefits of diversity in Board members.
- 3.2 Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, regional and industry experience, professional experience, skills, knowledge and length of service.
- 3.3 The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company ("**Directors**"). All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of the Board's diversity.

## 4. Measurable Objectives

- 4.1 The Nomination Committee will discuss and agree annually all measurable objectives for implementing the Policy and achieving the Board's diversity and recommend them to the Board for adoption.
- 4.2 Selection of candidates for Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, regional and industry experience, professional experience, skills, knowledge and length of service, as well as the criterion set out in the Company's nomination policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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- 4.3 The Board's composition (including gender, ethnicity, age, length of service, educational background, professional experience, skills and knowledge) will be disclosed in the Company's corporate governance report ("**CG Report**") annually in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 5. Monitoring and Reporting

- 5.1 The Nomination Committee will report annually, in the CG Report, on the Board's composition under diversified perspectives, and monitor the implementation of the Policy.

## 6. Review of the Policy

- 6.1 The Nomination Committee will review the Policy regularly, as appropriate, to ensure the effectiveness of the Policy and to review any progress on achieving those objectives in the Policy.
- 6.2 The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 December 2015, the Nomination Committee had met once and discussed and reviewed (i) the retiring Directors to be re-elected at the 2015 annual general meeting of the Company; (ii) the independence of the Independent Non-executive Directors; (iii) the terms of appointment of Directors; (iv) the structure, size and composition (including the skills, knowledge and experience) of the Board; (v) the role, performance and conduct of the existing Directors (including but not limited to the issues on any conflict of interest); (vi) any nomination of potential candidate in place of the resigned Director(s) to the Board; and (vii) the nomination policy and board diversity policy (including its measurable objectives and progress on achieving those objectives) of the Company (with reference to its terms of reference and Listing Rules).

As at 31 December 2015, the members of the Nomination Committee were Mr. Wong Wing Kee (Chairman) (Independent Non-executive Director), Mr. Leung Shu Kin, Alfred (Member) (Independent Non-executive Director) and Mr. Tang Yok Lam, Andy (Member) (Non-executive Director). All members were Non-executive Directors and the majority of whom were Independent Non-executive Directors.

The attendance record of each member of the Nomination Committee at its meeting for the year ended 31 December 2015 is set out below:

<b>Members of Nomination Committee</b>	<b>Attendance</b>
Mr. Wong Wing Kee ( <i>Chairman</i> ) ( <i>Independent Non-executive Director</i> )	1/1
Mr. Leung Shu Kin, Alfred ( <i>Member</i> ) ( <i>Independent Non-executive Director</i> )	1/1
Mr. Tang Yok Lam, Andy ( <i>Member</i> ) ( <i>Non-executive Director</i> )	1/1

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Under the CG Code provision A.4.2, every Director including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company has provided that at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Under the CG Code provision A.4.2, all Directors appointed to fill a casual vacancy should be subject to election by the Company's shareholders at the first general meeting of the Company after appointment. The Bye-laws of the Company has provided that the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

As at the date of publication of this annual report, the members of the Nomination Committee are Mr. Ng Man Kung (Chairman) (Independent Non-executive Director), Dr. Ngai Wai Fung (Member) (Independent Non-executive Director), Mr. Lau Fai Lawrence (Member) (Independent Non-executive Director) and Mr. Wong Wing Kee (Member) (Independent Non-executive Director).

## EXECUTIVE COMMITTEE

The Executive Committee operates with overall delegated authority from the Board. The Executive Committee carries out the following tasks for the purposes of dealing with the affairs relating to the day-to-day operations of the Group:

1. determining group strategy;
2. setting targets for the management;
3. reviewing business performance;
4. ensuring adequate funding; and
5. examining major investments.

As at 31 December 2015, the sole member of the Executive Committee was Mr. Cheok Ho Fung. The attendance record of the sole member of the Executive Committee at its meeting for the year ended 31 December 2015 is set out below:

<b>Member of the Executive Committee</b>	<b>Attendance</b>
Mr. Cheok Ho Fung ( <i>the Chairman and Chief Executive Officer</i> )	0/0

During the year ended 31 December 2015, no Executive Committee meeting was held to consider and approve the affairs regarding the daily transactions and business operations of the Group.

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As at the date of publication of this annual report, the members of the Executive Committee are Mr. Liu Tingan (Chairman) (Executive Director) and Mr. Cheok Ho Fung (Member) (Executive Director).

## TRAINING AND SUPPORT FOR DIRECTORS

The Group provides briefings, reading materials and other training opportunities to develop and refresh the Directors' knowledge and skills so as to keep abreast of their collective responsibilities and to emphasis on the roles, functions and duties of a listed company director.

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices, and to ensure that their contribution to the Board remains informed and relevant.

During the period from 1 January 2015 to 31 December 2015 as required by CG Code, the Directors had participated in the following trainings:

Name of Directors	Types of Training		
<b>Executive Director</b>			
Mr. Cheok Ho Fung <i>(Chairman of the Board, Chief Executive Officer)</i>	A	—	B
<b>Non-executive Director</b>			
Mr. Tang Yok Lam, Andy	—	—	B
<b>Independent Non-executive Directors</b>			
Mr. Leung Shu Kin, Alfred	—	—	B
Mr. Wong Wing Kee	A	—	B
Mr. Ng Kee Sin	A	—	B

A : *attending seminars and/or conferences and/or forums (via different means)*

B : *self-reading on newspapers, journals and updates relating to the business of PCBs, updates on the Listing Rules or corporate governance matters, other relevant statutory requirements, director's duties and responsibilities etc.*

## CORPORATE MANAGEMENT AND INTERNAL CONTROL

The Board established a Whistleblowing Policy on 27 March 2012 which deals with and governs properly and fairly concerns raised by the Company's employees about any suspected malpractice or misconduct regarding financial reporting, internal control or other matters within the Company and the Group. The Audit Committee shall review regularly this Policy and ensure that arrangements are in place for independent and fair investigation of these matters and for appropriate following-up action.

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The responsible teams of different sections or departments within the Group under corporate governance function play a major role in monitoring the internal corporate governance of the Group. They have unrestricted access to the information that allow them to review all aspects of the Group's risk management and governance processes in connection with nature of compliance and legal requirements. It also has the power to consult the Audit Committee without reference to the Company's management.

## **Internal Control Activities:**

Internal control activities are undertaken by the responsible teams under corporate governance function. Under the cross-functional work relationship, the teams conduct periodic review of the practices, procedures and internal controls of all business and support units within the Group. The relevant Board Committees may request the responsible teams to conduct ad-hoc reviews or investigation in relation to all types of business operations of the Group if needed, and to report back the review or investigation results to the Board Committees.

The management systems for occupational health, safe environment and quality standards are set up. The perfection of the internal control system is properly established and the Board and the Company's management have paid significant attention to it. The aim of undertaking the internal control activities by the responsible teams is to govern the overall system establishment and comprehensive perfection in corporate internal control. Key tasks of the responsible teams in this internal control function include:

1. unlimited authority of access to review different aspects of the Group's business activities and internal control procedures;
2. regular performance of the comprehensive audit of the working procedures, practices, expenses, investment, asset management of the special business unit and the Group;
3. special reviews and investigations for ad-hoc projects; and
4. liaison with the Company's management and reporting to the Audit Committee and the Board on the effectiveness and efficiency of the Group's management and the assurance against material financial misstatements.

The Board holds full responsibility for the system of internal control of the Group and continuously reviews its effectiveness from time to time. The responsible teams participating into the internal audit activities as aforementioned perform investigation of the effectiveness of material processes and controls on a risk-based approach in accordance with the provisions on internal controls as set forth in the CG Code. The findings are reported to the Audit Committee. The Board, through the Audit Committee, has at least annually reviewed the effectiveness of the system of internal control of the Group for the year ended 31 December 2015. The review had covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board via annual review considers the internal control systems (including but not limited to the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, its training programmes and budget) is effective and adequate.

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The Board has implemented procedures and internal controls for the handling and dissemination of inside information. During the year of 2013, the Company has adopted the inside information policy which aims to set out guidelines to the Group's directors, officers and all relevant employees to ensure inside information (as defined below) of the Company is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The term "relevant employee" refers to employee of the Group, because of his office or employment, who is likely to be in possession of the unpublished inside information (as defined below). The above mentioned persons are also recommended to make reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission ("SFC") in June 2012.

Under the new Part XIVA of the Securities and Future Ordinance ("SFO"), Chapter 571 ("Part XIVA") which has been effective on 1 January 2013, inside information is the specific information about the Company, its shareholder or officer or its listed securities or derivatives, which is not generally known to the persons who are accustomed, or would be likely, to deal in the Company's listed securities but would, if generally known to them, be likely to materially affect the price of the Company's listed securities.

## OPERATION RISKS

The Group has implemented appropriate policies and procedures for all major operations. In particular, the Company's management closely monitors the procurement process and performs due diligence check on the vendors. The In Process Quality Assurance Department and Reliability Department ensure the stability of the manufacturing process and control products quality. The Group also strives to promote human resources reforms and comprehensively enhances cost management. By establishing clear policies and requiring well-documented business process, the exposure to operation risks is considered minimal.

## INVESTOR RELATIONS AND COMMUNICATION

The Board established a shareholders' communication policy on 27 March 2012 for maintaining an on-going dialogue with the Company's shareholders and other stakeholders and encouraging them to communicate actively with the Company. This policy sets out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the Company's shareholders and other stakeholders (including potential investors) 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 the Company's shareholders and other stakeholders to exercise their rights in an informed manner mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars, notices of meetings, proxy forms and listing documents), annual general meetings and other general meetings, as well as disclosure on the website of the Company.



# Corporate Governance Report

Interim reports, annual reports and circulars and associated explanatory documents etc are sent to the Company's shareholders and are also posted on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.topsearch.com.hk](http://www.topsearch.com.hk)) under a dedicated "Investor Relations" section as soon as practicable in plain language and in both English and Chinese versions or where permitted, in single language, and will be updated on a regular basis and in a timely manner. The Company's website provides its shareholders with the corporate information, such as principal business activities, the development of corporate governance and the corporate social responsibilities of the Group such as environmental protection, etc.

The Company's shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address (as indicated below), in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, the Company's registered shareholders can contact Tricor Tengis Limited, the Company's Hong Kong Branch Share Registrar and Transfer Office, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company will not normally deal with verbal or anonymous enquiries. However, its shareholders may send their enquiries to the following in respect of the Company:

Principal place of business in Hong Kong : 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

For the attention of Chairman of the Board/Chief Executive Officer/  
Company Secretary

Telephone : (852) 2271 2299

Fax : (852) 2858 8778

Email : [investor.relations@topsearch.com.hk](mailto:investor.relations@topsearch.com.hk)

The Company's registered shareholders should direct their enquiries about their shareholdings and entitlement to dividend to the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Tengis Limited, through the online holding enquiry service at [www.tricoris.com](http://www.tricoris.com) or by email to [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com) or hotline at (852) 2980 1333 or in person at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company's general meeting allows the Directors, its members of the Audit Committee, the Remuneration Committee and the Nomination Committee respectively and its external auditor to meet and communicate with its shareholders and to answer shareholders' questions. The Company will ensure that its shareholders' views can be communicated to the Board. For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting, for instances, nomination of persons as

# Corporate Governance Report

Directors by means of a separate resolution. The Procedures for Shareholders to Propose a Person for Election as a Director of the Company has been uploaded on the website of the Company in the section “Corporate Governance” under “Investor Relations” section.

The proceedings of general meeting are reviewed from time to time to ensure that the Company follows good corporate governance practices. Notice of an annual general meeting (whether for the passing of a special resolution and/or an ordinary resolution) shall be called by not less than twenty business days’ notice or twenty-one days’ notice (whichever is longer) in writing at the least and a special general meeting called for the passing of a special resolution shall be called by twenty-one days’ notice in writing at the least, and a general meeting of the Company (other than an annual general meeting or a meeting for the passing of a special resolution) shall be called by ten business days’ notice or fourteen days’ notice (whichever is longer) in writing at the least (whereas the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given), and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

The chairman of the general meeting exercises his power under the Company’s Bye-laws to put each proposed resolution to the vote by way of a poll, save for the resolutions (if any) proposed by the chairman of the meeting regarding the approval on the procedural and administrative matters as defined in the Listing Rules. The procedures for demanding and conducting a poll are explained at the general meeting prior to the polls being taken. The Company’s shareholders who are entitled to attend and vote at a general meeting are entitled to ask about the poll voting procedures and details of the proposed resolutions at the general meeting whose questions should be answered during the general meeting prior to the conduction of poll voting. Announcement on poll voting results of general meeting will be posted on the Stock Exchange’s website and the Company’s website.

During the year of 2015, there was no significant change in the Company’s Memorandum of Association and Bye-laws, whereas both of which have been uploaded on the Stock Exchange’s website and the Company’s website.

The Company continues to commit to a proactive policy of promoting investor relations and effective communication with the Company’s shareholders and analysts by maximizing the use of the Company’s website ([www.topsearch.com.hk](http://www.topsearch.com.hk)) as a channel to disclose the Company’s updated information and corporate communications to the Company’s shareholders, stakeholders and the public on a timely basis.

# Corporate Governance Report

## Shareholders Rights

The Directors, pursuant to Bermuda Companies Act and notwithstanding anything in the Company's Bye-laws shall, on the requisition of the Company's shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

The requisition must state the purposes of the general meeting, and must be signed by the requisitionists and deposited at the Company's principle place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting, but any general meeting so convened shall not be held after the expiration of three months from the said date.

A general meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by Directors.

Any number of shareholders of the Company representing not less than one-twentieth (1/20) of the total voting rights of all the shareholders or not less than 100 shareholders of the Company, may make a requisition in writing to the Company to do the following (which will be done at the expense of the requisitionists unless the Company otherwise resolves):

- (i) to give to the Company's shareholders entitled to receive notice of the next annual general meeting and notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or
- (ii) to circulate to the Company's shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand (1,000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

# Corporate Governance Report

A copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, must be deposited at the principal place of business of the Company in Hong Kong.

- (i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting;  
and
- (ii) in the case of any other requisition, not less than one week before the meeting,

and there must be deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

However please note that if, after a copy of the requisition requiring notice of a resolution has been deposited at the principal place of business of the Company in Hong Kong, an annual general meeting is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time limit stated above shall be deemed to have been properly deposited for the purposes thereof.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a general meeting shall be repaid to the requisitionists by the Company.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period which give a true and fair view of the financial affairs of the Group.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report (i.e. 14 April 2016), the Company has maintained a sufficient public float of its issued shares in the Stock Exchange throughout the period from 1 January 2015 to 31 December 2015 and has continued to maintain such a sufficiency of public float as at 14 April 2016.