

CORPORATE GOVERNANCE REPORT

The Board of Directors (“Board”) is committed to providing effective management and sound control of the Company for maximizing the shareholders’ value. The corporate governance principles of the Company emphasize the attainment and maintenance of a high standard of corporate governance practices and procedures, a quality board, sound internal control, and high transparency and accountability to the shareholders. The Company has adopted its own Corporate Governance Code and has complied with all code provisions as set out in Appendix 14 (“Code”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except for the deviation as disclosed in this report. The corporate governance practices of the Company in compliance with the Code during the financial year ended 30th June, 2018 with explanation of the deviation are set out in this report.

CORPORATE GOVERNANCE PRACTICES

DIRECTORS

Corporate Governance Principle

The Board provides overall leadership and control for the Company in an effective and responsible manner with a view to maximizing the financial performance of the Company and the shareholders’ value. The Board makes decisions on business strategies and corporate governance practices, determines the Company’s objectives, value and standards, and oversees and monitors the management performance within the control and delegation framework of the Company. These include the Company’s financial statements, dividend policy, any significant changes in accounting policy, adoption of corporate governance practices and procedures, and risk management and internal control strategies.

Board Composition

The current Board has eleven Directors comprising six Executive Directors including the Chairman and the Deputy Chairman of the Board, one Non-Executive Director and four Independent Non-Executive Directors, details of which are set out under the section entitled “Directors’ Report” of this Annual Report. Biographical details of the Directors and their relationships, where applicable, are contained under the section entitled “Biographical Details of Directors & Senior Management” of this Annual Report. The Company has maintained on its website and on the website of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) an updated list of its Directors identifying their roles and functions and whether they are Independent Non-Executive Directors. Independent Non-Executive Directors are identified in all corporate communications that disclose the names of Directors of the Company.

CORPORATE GOVERNANCE PRACTICES *(Continued)***DIRECTORS** *(Continued)***Board Diversity**

With a view to achieving a sustainable and balanced development, the Company has been seeing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. It is the policy of the Company to consider board diversity from a number of factors when deciding on new appointments to the Board and the continuation of those appointments in order to achieve a diversity of perspectives among Board members. These factors include but not limited to gender, age, cultural and educational background, professional or industry experience, skills, knowledge and other qualities of Directors. The Board as a whole is responsible for reviewing the structure, size and composition of the Board with due regard to the intended benefits of board diversity. The balance between the number of Executive and Non-Executive Directors is considered effective in ensuring independent judgment being exercised effectively to provide sufficient checks and balances to safeguard the interests of the Company and its shareholders. The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board reviews and monitors the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

Division of Responsibilities

The Board, led by the Chairman, is responsible for the Company's future development directions, overall strategies and policies, evaluation of the financial performance of the Company and approval of matters that are of a material or substantial nature, including adequacy of systems of financial, risk management and internal control, and conduct of business in conformity with applicable laws and regulations. The Executive Directors, constituting the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control and delegation framework of the Company. The Board gives clear directions as to the matters that must be approved by the Board before decisions are made on behalf of the Company. The implementation of strategies and policies of the Board and the operations of each business unit are overseen and monitored by designated responsible Executive Directors. The Board has found that the current arrangement has worked effectively in enabling it to discharge its responsibilities satisfactorily. The types of decisions to be delegated by the Board to the management include implementation of the strategy and direction determined by the Board, operation of the business of the Company and its subsidiaries ("Group"), preparation of financial statements and operating budgets, and compliance with applicable laws and regulations.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Division of Responsibilities *(Continued)*

The Chairman ensures that the Board works effectively and discharges its responsibilities in the best interests of the Company and all key and appropriate issues are discussed by the Board in a timely manner. He takes responsibility for ensuring that good corporate governance practices and procedures are established and encourages all Directors to make a full and active contribution to the board's affairs. Directors with different views are encouraged to voice their concerns. They are allowed sufficient time for discussion of issues so as to ensure that board decisions fairly reflect board consensus. A culture of openness and debate is promoted to facilitate the effective contribution of Non-Executive Directors and ensure constructive relations between Executive and Non-Executive Directors. Besides, the Chairman of the Board holds, at least annually, meetings with the Non-Executive Directors (including Independent Non-Executive Directors) in the absence of the Executive Directors.

There is no separation of the roles of the chairman and the chief executive in the Company. The Chairman of the Board provides leadership to the Board and undertakes both roles of chairman and chief executive. The Board is of the view that the current management structure has been effective in facilitating the Company's operation and business development and that necessary checks and balances consistent with sound corporate governance practices are in place. In addition, the four Independent Non-Executive Directors have contributed valuable views and proposals for the board's deliberation and decisions. The Board reviews the management structure regularly to ensure that it continues to meet these objectives and is in line with the industry practices.

To enhance the function of the Board, four board committees, namely the Remuneration Committee, Nomination Committee, Audit Committee and Compliance Committee, have been set up to take up different responsibilities. All board committees have specific terms of reference clearly defining their powers and responsibilities. All board committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

The Non-Executive Directors, including Independent Non-Executive Directors, provide the Company with diverse skills, expertise and varied backgrounds and qualifications. They participate in board/board committee (including Audit Committee, Nomination Committee and Remuneration Committee) meetings to bring independent views, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They also attend annual general meetings of the Company to understand the view of shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.

CORPORATE GOVERNANCE REPORT *(Continued)*CORPORATE GOVERNANCE PRACTICES *(Continued)*DIRECTORS *(Continued)***Division of Responsibilities**
(Continued)

Every Director is considered to have given sufficient time and attention to the Company's affairs for the year. Each of the Directors is required to disclose to the Company the number and nature of offices he/she held in public companies or organizations and other significant commitments as well as the identity of such public companies or organizations.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

Board Meetings and Supply of and Access to Information

The Board holds at least four regular meetings a year, which are normally scheduled in advance in the fourth quarter of the preceding year. During the financial year ended 30th June, 2018, the Board had held four meetings. The attendance records of the Directors to these board meetings are set out below:

| Directors | Meeting(s) Attended/Held |
|--|---------------------------------|
| <i>Executive Directors</i> | |
| Mr. Robert Ng Chee Siong (<i>Chairman</i>) | 3/4 |
| Mr. Daryl Ng Win Kong (<i>Deputy Chairman</i>) | 4/4 |
| Mr. Ringo Chan Wing Kwong | 4/4 |
| Ms. Alice Ip Mo Lin | 4/4 |
| Mr. Gordon Lee Ching Keung | 4/4 |
| Mr. Sunny Yeung Kwong | 4/4 |
| <i>Non-Executive Director</i> | |
| The Honourable Ronald Joseph Arculli | 4/4 |
| <i>Independent Non-Executive Directors</i> | |
| Dr. Allan Zeman | 4/4 |
| Mr. Adrian David Li Man-kiu | 4/4 |
| Mr. Steven Ong Kay Eng | 3/4 |
| Mr. Wong Cho Bau | 4/4 |

Notice incorporating the agenda for each regular board meeting or board committee meeting is given to all Directors or board committee members at least 14 days in advance, and all Directors or board committee members are given the opportunity to include matters for discussion in the agenda. All Directors/board committee members are entitled to have access to board/board committee papers and related materials in sufficient details to enable them to make informed decisions on matters to be placed before the board/board committee meetings. Meeting papers are normally sent to all Directors or board committee members at least 5 days in advance of every regular board meeting or board committee meeting.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

DIRECTORS *(Continued)*

Board Meetings and Supply of and Access to Information *(Continued)*

The Company Secretary assists the Chairman of the Board and the chairmen of board committees in preparing meeting agendas and ensures that the Code as well as all applicable laws and regulations are duly complied with. Minutes of board meetings and board committee meetings are recorded in sufficient details of the matters considered and decisions reached at the relevant meetings. Draft and final versions of the minutes in respect of board meetings and board committee meetings are sent to all Directors or board committee members respectively for comment and records within a reasonable time after the relevant meetings. All minutes are properly kept by the Company Secretary and are available for the Directors' and board committee members' inspection.

All Directors are given unrestricted access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that the board procedures and all applicable laws, rules and regulations are followed. The selection, appointment or dismissal of the Company Secretary is subject to approval by the Directors at board meeting.

All Directors are entitled to have access to timely information in relation to the Company's business and make further enquiries or retain independent professional advisors where necessary. The management provides all relevant explanation and information to the Board so as to give the Board the information it needs to discharge its responsibilities. During the year, the management has provided all members of the Board with monthly updates of major business operations giving a balanced and understandable assessment of the Company's performance, position and prospects.

Directors' Appointment, Re-election and Removal

All Non-Executive Directors have entered into letters of appointment with the Company for a specific term of three years. The Company's Articles of Association provide that each Director is subject to retirement from office by rotation and re-election once every three years and that one-third (or the number nearest to one-third) of the Directors shall retire from office every year at the annual general meeting. New appointment to the Board is subject to re-election at the next following annual general meeting. In addition, the appointment of an Independent Non-Executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. The Board will provide in the circular accompanying the annual report sent to shareholders the reason why the Board considers the Independent Non-Executive Director is still independent and our recommendation to shareholders to vote in favour of the re-election of such Independent Non-Executive Director.

CORPORATE GOVERNANCE PRACTICES *(Continued)***DIRECTORS** *(Continued)***Directors' Appointment,
Re-election and Removal**
(Continued)

The Directors who are subject to retirement and re-election at the 2018 annual general meeting are set out on page 86 of this Annual Report.

The Board is empowered under the Company's Articles of Association and is collectively responsible to appoint any person as a Director either to fill a casual vacancy or as an additional board member. Only the most suitable candidate who is experienced, competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be selected as Director.

During the year, the Nomination Committee recommended and the Board approved the appointment of Mr. Daryl Ng Win Kong as Deputy Chairman of the Board with effect from 1st November, 2017.

Confirmation of Independence

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each of the Independent Non-Executive Directors has provided an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the Independent Non-Executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are independent.

**Directors' Training and
Professional Development**

Every Director keeps abreast of responsibilities as a Director and of the conduct, business activities and development of the Company. Every newly appointed director receives a comprehensive induction package covering the statutory and regulatory obligations of directors, organizational structure, policies, procedures and codes of the Company, terms of reference of board committees and internal audit charter of internal audit. The Company Secretary from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities.

CORPORATE GOVERNANCE PRACTICES (Continued)

DIRECTORS (Continued)

Directors' Training and Professional Development (Continued)

The Company Secretary maintains records of trainings attended by the Directors. The trainings attended by the current Directors during the year are as follows:

| Directors | Training Matters ^(Note) |
|--|------------------------------------|
| <i>Executive Directors</i> | |
| Mr. Robert Ng Chee Siong | a, b |
| Mr. Daryl Ng Win Kong | a, b |
| Mr. Ringo Chan Wing Kwong | a, b, c, d |
| Ms. Alice Ip Mo Lin | a, b, d |
| Mr. Gordon Lee Ching Keung | a, b |
| Mr. Sunny Yeung Kwong | a, b |
| <i>Non-Executive Director</i> | |
| The Honourable Ronald Joseph Arculli | a, b, c, d |
| <i>Independent Non-Executive Directors</i> | |
| Dr. Allan Zeman | a, b |
| Mr. Adrian David Li Man-kiu | a, b, c, d |
| Mr. Steven Ong Kay Eng | a, b |
| Mr. Wong Cho Bau | a, b |

Note:

- a. corporate governance
- b. regulatory
- c. finance
- d. managerial

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

The Company's emolument policy is to ensure that the remuneration offered to employees, including Executive Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of Executive Directors are also determined by reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Director. The emolument policy for Non-Executive Directors is to ensure that the Non-Executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in board committees. Individual Directors and senior management have not been involved in deciding their own remuneration.

CORPORATE GOVERNANCE PRACTICES *(Continued)***REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT** *(Continued)***Remuneration Committee**

The Company established its Remuneration Committee with written terms of reference on 23rd June, 2005. The current written terms of reference are available at the Company's website www.sino.com and the Stock Exchange's website.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. In arriving at its recommendations, the Committee consults the Chairman of the Board and takes into consideration factors including salaries paid by comparable companies, employment conditions elsewhere in the Group, and desirability of performance-based remuneration. The Committee makes recommendations to the Board relating to the remuneration package of individual Executive Directors and senior management, and it also makes recommendations to the Board on the remuneration of Non-Executive Directors. The Committee meets at least once a year and is provided with sufficient resources enabling it to discharge its duties.

The Remuneration Committee currently comprises four members with the Independent Non-Executive Directors constituting the majority of the Committee and an Independent Non-Executive Director acting as its chairman.

During the year, the Remuneration Committee had performed the following works:

- reviewed the existing emolument policy of Directors;
- reviewed the remuneration packages of Executive Directors; and
- made recommendations on Non-Executive Directors' fees.

CORPORATE GOVERNANCE PRACTICES (Continued)

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Remuneration Committee
(Continued)

No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee. The attendance records of the committee members to committee meeting(s) are set out below:

| Committee members | Meeting(s) Attended/Held |
|---|--------------------------|
| Mr. Steven Ong Kay Eng* (Committee Chairman) | 1/1 |
| Dr. Allan Zeman* | 1/1 |
| Mr. Adrian David Li Man-kiu* | 1/1 |
| Mr. Daryl Ng Win Kong | 1/1 |

* Independent Non-Executive Director

Details of Directors' emoluments for the year are set out in Note 12 to the consolidated financial statements.

NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

The Company established its Nomination Committee with written terms of reference on 20th February, 2012. The current written terms of reference are available at the Company's website www.sino.com and the Stock Exchange's website.

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board with reference to the board diversity policy of the Company and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include making recommendations to the Board on the selection of individuals nominated for directorships, the appointment or re-appointment of Directors and succession planning for Directors, and regularly reviewing the time required from a Director to perform his/her responsibilities. The Committee is also responsible for assessing the independence of Independent Non-Executive Directors and reviewing their annual confirmations on independence. The Committee meets at least once a year and is provided with sufficient resources enabling it to discharge its duties.

The Nomination Committee, which is chaired by the Chairman of the Board, currently comprises three members with the Independent Non-Executive Directors constituting the majority of the Committee.

CORPORATE GOVERNANCE REPORT *(Continued)*CORPORATE GOVERNANCE PRACTICES *(Continued)*NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Nomination Committee *(Continued)* During the year, the Nomination Committee had performed the following works:

- recommended the appointment of Mr. Daryl Ng Win Kong as Deputy Chairman of the Board;
- reviewed the current structure, size and composition of the Board;
- assessed the independence of Independent Non-Executive Directors and their annual confirmations on independence; and
- reviewed time commitment of Directors.

The attendance records of the committee members to committee meeting(s) are set out below:

| Committee members | Meeting(s) Attended/Held |
|---|---------------------------------|
| Mr. Robert Ng Chee Siong <i>(Committee Chairman)</i> | 0/1 |
| Dr. Allan Zeman* | 1/1 |
| Mr. Adrian David Li Man-kiu* | 1/1 |

* *Independent Non-Executive Director*

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Statements

The Board is responsible for the preparation of the financial statements which should give a true and fair view of the state of affairs of the Company and of the results and cash flows for such reporting period. In preparing the financial statements, the Board has adopted generally accepted accounting standards in Hong Kong and 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 Board is responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for auditing and reporting its opinion on the financial statements of the Company and the independent auditor's report for the financial year ended 30th June, 2018 is set out in the section entitled "Independent Auditor's Report" of this Annual Report.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Audit Committee is delegated with the authority from the Board to oversee the risk management and internal control systems.

Effective risk management is important to the Company's achievement of its strategic goals. To this end, the Company adopts an Enterprise Risk Management ("ERM") approach to assist the Audit Committee and the Board in discharging its risk management responsibilities and individual business units in managing the key risks faced by the Company. Details of the main features of the ERM system including the processes for the identification, evaluation and management of significant risks are set out in the "Risk Management Report" on pages 73 to 82.

The Company's internal control system is built on a sound control environment with a strong commitment to ethical values. "Staff integrity" is among one of our core values. A Code of Conduct, including prevention of bribery and avoidance of conflict of interest has been established. The core values and Code of Conduct are communicated to all new staff during orientation. This information is also included in the Staff Handbook and available on our intranet. The importance of integrity is reiterated regularly by messages from top management and through training and seminar. The Business Ethics Committee has been established as a whistle-blowing channel for staff and other relevant parties to report misconduct cases. Every reported case will be handled in confidentiality and followed through in accordance with the Unethical Conduct Notification Policy and Procedures.

The internal control system also includes an appropriate organizational structure with clearly defined responsibilities, accountability and authorities underpinning proper segregation of duties, complemented by monitoring and reporting mechanism to ensure proper checks and balances. Policies and procedures covering key business processes are established and communicated to staff, and are regularly reviewed to ensure continued relevance and effectiveness, and for continuous improvement.

The Company's internal control framework is fully integrated with the risk management framework. The ERM is a process whereby risks together with the relevant controls are being identified, assessed, evaluated and reviewed on an ongoing basis. All the significant risks identified are mapped to and incorporated in the annual internal audit plan. Key controls are subject to review and test by the Internal Audit Department in order to assess their adequacy and effectiveness.

CORPORATE GOVERNANCE PRACTICES *(Continued)***ACCOUNTABILITY AND AUDIT** *(Continued)***Risk Management and
Internal Control** *(Continued)**Internal Audit*

The Internal Audit Department provides independent assurance regarding the existence of adequate and effective controls in the operations of the Company's business units. The Head of Internal Audit Department reports directly to the Audit Committee. In performing its duties, the Internal Audit Department has free and unfettered access to information and to meet with any of the department heads or persons-in-charge as stipulated in the Internal Audit Charter.

The Internal Audit Department adopts a risk-based audit approach. It conducts annual risk assessment and devises a 3-year-rolling internal audit plan which is reviewed and approved by the Audit Committee. Depending on the nature and exposure of the risks of individual business units, the Internal Audit Department performs audits and reviews on their operations, and makes recurring and impromptu site investigations on selected risk areas to ensure the effectiveness of the controls implemented by the relevant business units. The audit findings regarding control weaknesses are communicated to the business units concerned. Major audit findings and recommendations are reported to the Audit Committee, which in turn reports to the Board. The implementation of the agreed actions in response to the identified audit issues are tracked and followed up regularly, and the status is reported to the Audit Committee.

Internal Control Self-assessment

To further enhance the risk management and internal control systems, the head of each business unit conducts annual internal control self-assessment with reference to the 17 principles of the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) 2013 Internal Control – Integrated Framework. Through the use of control self-assessment questionnaires, they systemically review and assess the effectiveness of all internal controls over their business operations that are in place to mitigate the risks, identify potential new risks affecting their businesses and operations, design and execute control enhancement plans to address such new risks. The results of the self-assessment are reported to the Board through the Audit Committee and form part of the annual assessment of the adequacy and effectiveness of the risk management and internal control systems.

CORPORATE GOVERNANCE PRACTICES (Continued)

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Control (Continued)

Evaluation of the Adequacy of Resources of the Company's Accounting and Financial Reporting Function, and Internal Audit Function

For the year ended 30th June, 2018, the Internal Audit Department has conducted an assessment and concluded that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function were adequate. The Head of Internal Audit Department, in conjunction with the Human Resources Department, also carried out a review of the internal audit function and concluded that its resources, staff qualifications and experience, training programmes and budget were adequate. The review results were reported to the Audit Committee.

Based on the above, the Board and the Audit Committee were satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and internal audit function.

Review of the Effectiveness of Risk Management and Internal Control Systems

The Board has the overall responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

On behalf of the Board, the Audit Committee evaluates the effectiveness of the Company's risk management and internal control systems at least annually. For the financial year ended 30th June, 2018, the Audit Committee, with the assistance of the Risk and Control Committee, conducted a review of the effectiveness of the Group's risk management and internal control systems covering all the material controls, including environmental, social and governance related risks, financial, operational and compliance controls. Throughout the year, the Audit Committee also oversaw the risk management system on an ongoing basis through various activities including reviewing and approving the updated ERM Policy and Framework as well as the ERM reports.

CORPORATE GOVERNANCE PRACTICES *(Continued)***ACCOUNTABILITY AND AUDIT** *(Continued)***Risk Management and
Internal Control** *(Continued)**Review of the Effectiveness
of Risk Management and
Internal Control Systems
(Continued)*

For the financial year ended 30th June, 2018, the Board received a confirmation statement from management on the effectiveness of the risk management and internal control systems. The confirmation is based on:

- the work performed by management in identifying, evaluating, monitoring and managing the existing, new and emerging risks on an ongoing basis;
- the results of formal risk assessments conducted quarterly during the year in accordance with the approved ERM Policy and Framework;
- the responses of individual business units to the questionnaires prepared for the Group-wide internal control self-assessment; and
- the independent verification and assurance provided through audit and review performed by the external auditor and the Internal Audit Department.

In the light of the above, the Board and the Audit Committee concluded that the risk management and internal control systems of the Group were effective and adequate. Despite there were no significant control failings or weaknesses or areas of major concern identified during the year, the risk management and internal control systems will be regularly reviewed for continuous improvement.

**Policy and Procedures of
Inside Information Handling
and Dissemination**

The Company handles and disseminates inside information in accordance with the Securities and Futures Ordinance and the Listing Rules and with reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. Potential inside information is captured through established reporting channels of the business units and escalated to senior management which will consider the price sensitivity of the information. Inside information is kept strictly confidential and is restricted to relevant parties on a need-to-know basis so as to ensure confidentiality until consistent and timely disclosure by way of corporate announcement is made to inform the public of the inside information in an equal and timely manner. A strict prohibition on the unauthorized use of confidential information is included in the Company's code of conduct applicable to all employees of the Group.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Audit Committee

The Company established its Audit Committee with written terms of reference on 23rd September, 1998. The current written terms of reference are available at the Company's website www.sino.com and the Stock Exchange's website.

The Audit Committee reports to the Board and holds regular meetings to assist the Board in discharging its responsibilities for effective financial reporting controls, risk management and internal control. The Committee monitors the integrity of the Company's financial statements, annual report and accounts and half-year report and reviews significant financial reporting judgments contained in them. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, risk management and internal control systems and compliance issues. The Committee also oversees the Company's relationship with the external auditor, reviews auditor's letter of engagement and makes recommendations to the Board on the appointment and re-appointment of external auditor. It is empowered to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It reviews external auditor's management letter and any material queries raised by the auditor to the management and the management's response. The Committee meets at least four times a year and is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee currently comprises three members, all of them being Independent Non-Executive Directors.

CORPORATE GOVERNANCE PRACTICES *(Continued)*ACCOUNTABILITY AND AUDIT *(Continued)*Audit Committee *(Continued)*

During the year, the Audit Committee had held four meetings and reviewed, inter alia, the following matters:

- the Company's 2017 annual report and audited financial statements and the 2017/2018 interim report and unaudited interim financial statements, including the accounting policies and practices adopted by the Company, before submitting to the Board;
- the ERM Policy and Framework of the Company for the enhancement of the risk management system;
- internal audit reports and ERM reports on the risk management and internal control systems, including the effectiveness of the risk management and internal control systems of the Group, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and internal audit function;
- internal audit plan 2018/2019;
- usage of annual caps on certain continuing connected transactions of the Company; and
- re-appointment of the Company's auditor before submitting to the Board.

All the meetings were attended by the external auditor of the Company. The attendance records of the committee members to these committee meetings are set out below:

| Committee members | Meeting(s) Attended/Held |
|--|---------------------------------|
| Mr. Adrian David Li Man-kiu <i>(Committee Chairman)</i> | 4/4 |
| Dr. Allan Zeman | 4/4 |
| Mr. Steven Ong Kay Eng | 4/4 |

CORPORATE GOVERNANCE PRACTICES *(Continued)*

ACCOUNTABILITY AND AUDIT *(Continued)*

Codes for Dealing in the Company's Securities

The Company has adopted its own code for dealing in the Company's securities by Directors ("Directors Dealing Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"). The Company has made specific enquiries of all Directors who held such offices during the year under review. All of them confirmed their compliance with the required standard set out in the Directors Dealing Code during the year ended 30th June, 2018. The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of inside information in relation to the securities of the Company, on no less exacting terms than the Model Code.

Auditor's Remuneration

The fees in respect of audit and non-audit services provided to the Group by the external auditor of the Company for the year ended 30th June, 2018 amounted to HK\$4,781,527 and HK\$466,000 respectively. The non-audit services mainly consist of review and consultancy services.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE PRACTICES *(Continued)***CORPORATE GOVERNANCE FUNCTIONS** *(Continued)*

During the year, the Board considered the following corporate governance matters:

- reviewed the usage of annual caps on certain continuing connected transactions of the Company;
- reviewed the compliance with the Code through the Compliance Committee; and
- reviewed the effectiveness of the risk management and internal control systems of the Group through the Risk and Control Committee and the Audit Committee.

Compliance Committee

The Company established its Compliance Committee with written terms of reference on 30th August, 2004 to enhance the corporate governance standard of the Company. The Compliance Committee has dual reporting lines. A principal reporting line is to the Board through the Committee Chairman. A secondary reporting line is to the Audit Committee. The Compliance Committee currently comprises the Deputy Chairman of the Board Mr. Daryl Ng Win Kong (Committee Chairman), the other Executive Directors of the Company, the Chief Financial Officer and Head of Legal and Company Secretarial Departments, the Head of Internal Audit Department, other department heads and the Compliance Officer. The Committee holds regular meetings on a bi-monthly basis to review and make recommendations to the Board and the Audit Committee on the Company's corporate governance issues and Listing Rules compliance matters.

CORPORATE GOVERNANCE PRACTICES (Continued)

COMMUNICATION WITH SHAREHOLDERS

The Company affirms its commitment to maintaining a high degree of corporate transparency, communicating regularly with its shareholders and ensuring in appropriate circumstances, the investment community at large being provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance, risk profile and other material information), in order to enable the shareholders to exercise their rights in an informed manner.

Communication Strategies

Principles

The Board is dedicated to maintain an ongoing dialogue with the shareholders of the Company and the investment community. Information is communicated to the shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and regular meetings with research analysts and fund managers, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. The Company continuously enhances its website in order to improve communication with shareholders. Investor/analyst briefings and one-on-one meetings, investor conferences, site visits and results briefings are conducted on a regular basis in order to facilitate effective communication between the Company, shareholders and the investment community. The Board strives to ensure effective and timely dissemination of information to shareholders and the investment community at all times and reviews regularly the above arrangements to ensure its effectiveness.

Shareholders' Meetings

The Board strives to maintain a continuing open dialogue with the shareholders of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that shareholders' needs are best served.

The Company uses annual general meeting as one of the principal channels for communicating with its shareholders. The Company ensures that shareholders' views are communicated to the Board. At the annual general meeting, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors. The Chairman of the Board, chairmen of the respective board committees and the external auditor usually attend annual general meetings to inter-face with and answer questions from shareholders.

CORPORATE GOVERNANCE PRACTICES *(Continued)***COMMUNICATION WITH SHAREHOLDERS** *(Continued)***Communication Strategies** *(Continued)**Shareholders' Meetings*
(Continued)

The last annual general meeting of the Company is the 2017 annual general meeting ("2017 AGM") which was held on 26th October, 2017 at The Pacific Rooms, 9th Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon. The Directors, including the Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Nomination Committee and the Chairman of the Remuneration Committee, and the external auditor of the Company, Deloitte Touche Tohmatsu, attended the 2017 AGM. The attendance records of the Directors to the 2017 AGM are set out below:

Meeting(s) Attended/Held*Executive Directors*

| | |
|----------------------------|-----|
| Mr. Robert Ng Chee Siong | 1/1 |
| Mr. Daryl Ng Win Kong | 1/1 |
| Mr. Ringo Chan Wing Kwong | 1/1 |
| Ms. Alice Ip Mo Lin | 1/1 |
| Mr. Gordon Lee Ching Keung | 1/1 |
| Mr. Sunny Yeung Kwong | 1/1 |

Non-Executive Director

| | |
|--------------------------------------|-----|
| The Honourable Ronald Joseph Arculli | 1/1 |
|--------------------------------------|-----|

Independent Non-Executive Directors

| | |
|-----------------------------|-----|
| Dr. Allan Zeman | 0/1 |
| Mr. Adrian David Li Man-kiu | 1/1 |
| Mr. Steven Ong Kay Eng | 1/1 |
| Mr. Wong Cho Bau | 0/1 |

The Company's notice to shareholders for the 2017 AGM was sent to shareholders more than 20 clear business days prior to the meeting. The chairman of the meeting exercised his power under the Company's Articles of Association to put each proposed resolution to vote by way of a poll. The Company adopted poll voting for all resolutions put to vote at the meeting. The procedures for voting by poll at the 2017 AGM were contained in the circular of the Company to its shareholders, which was dispatched together with the 2017 annual report, and were further explained at the 2017 AGM prior to the polls being taken. Simultaneous translation from English to Cantonese was available at the 2017 AGM.

CORPORATE GOVERNANCE PRACTICES (Continued)

COMMUNICATION WITH SHAREHOLDERS (Continued)

Communication Strategies (Continued)

Shareholders' Meetings
(Continued)

Separate resolutions were proposed at the 2017 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 26th October, 2017 are set out below:

| Resolutions proposed at the 2017 AGM | | Percentage of Votes |
|---|--|--------------------------------|
| 1 | Adoption of the audited Financial Statements and the Directors' and Independent Auditor's Reports for the year ended 30th June, 2017 | 99.99% |
| 2 | Declaration of a final dividend of HK\$0.40 per ordinary share with an option for scrip dividend | 99.99% |
| 3(i) | Re-election of Mr. Robert Ng Chee Siong as Director | 96.52% |
| 3(ii) | Re-election of Mr. Adrian David Li Man-kiu as Director | 84.88% |
| 3(iii) | Re-election of Ms. Alice Ip Mo Lin as Director | 87.37% |
| 3(iv) | Re-election of Mr. Sunny Yeung Kwong as Director | 87.39% |
| 3(v) | Authorization of the Board to fix the Directors' remuneration for the financial year ending 30th June, 2018 | 99.90% |
| 4 | Re-appointment of Deloitte Touche Tohmatsu as Auditor for the ensuing year and to authorize the Board to fix their remuneration | 99.96% |
| 5(i) | Share buy-back mandate up to 10% of the Company's issued shares | 99.87% |
| 5(ii) | Share issue mandate up to 20% of the Company's issued shares | 84.07% |
| 5(iii) | Extension of share issue mandate to the shares bought back under the share buy-back mandate | 84.24% |

CORPORATE GOVERNANCE PRACTICES *(Continued)***COMMUNICATION WITH SHAREHOLDERS** *(Continued)***Communication Strategies** *(Continued)**Shareholders' Meetings*
(Continued)

All resolutions put to shareholders at the 2017 AGM were passed. The Company's Share Registrars were appointed as scrutineers to monitor and count the poll votes cast at that meeting. The results of the voting by poll were published on the respective websites of the Company and the Stock Exchange.

The latest version of the Articles of Association of the Company is available at the Company's website www.sino.com and the Stock Exchange's website. No changes have been made to the Company's Articles of Association during the year.

Enquiries

Shareholders can direct their questions about their shareholdings to the Company's Share Registrars. To the extent the requisite information of the Company is publicly available, shareholders and the investment community may at any time make a request for such information. Designated contacts, email addresses and enquiry lines of the Company have been provided in the "Corporate Information" section of this Annual Report to enable the shareholders and the investment community to make any enquiry in respect of the Company.

Shareholders' Privacy

The Company recognizes the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

Corporate Communications

Corporate communications issued by the Company have been provided to the shareholders in both English and Chinese versions to facilitate their understanding. Shareholders have the right to choose the language (either English or Chinese, or both) or means of receipt of the corporate communications (in hard copy or through electronic means). They are encouraged to provide, amongst other things, their email addresses to the Company in order to facilitate timely, effective and environmental friendly communication.

Company's Website

A section entitled "Investor Relations" is available on the Company's website www.sino.com. Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter in accordance with the Listing Rules. Such information includes financial statements, announcements, circulars to shareholders and notices of general meetings, etc.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

COMMUNICATION WITH SHAREHOLDERS *(Continued)*

Shareholders' Rights

Pursuant to Section 566 of the Companies Ordinance, Directors are required to call a general meeting if the Company has received requests to do so from shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such request must be authenticated by the shareholders making it and may either be deposited at the registered office of the Company at 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong for the attention of the Company Secretary or sent to the Company's email address at investorrelations@sino.com.

In relation to an annual general meeting which the Company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that the Company must give notice of a resolution if it has received request to do so from shareholders representing at least 2.5% of the total voting rights of all shareholders of the Company having a right to vote on the resolution at the annual general meeting, or at least 50 shareholders having a right to vote on the resolution at the annual general meeting. Such request must be authenticated by the shareholders making it and may either be deposited at the registered office of the Company or sent to the Company's email address, both of which are mentioned above.

Shareholders who wish to propose a person (other than a retiring Director) for election as director ("Candidate") at a general meeting of the Company, should (a) deposit a written notice of such proposal at the registered office of the Company for the attention of the Company Secretary, signed by the shareholders who should be qualified to attend and vote at the general meeting; (b) provide biographical details of the Candidate as set out in Rule 13.51(2)(a) to (x) of the Listing Rules; and (c) provide a written consent signed by the Candidate indicating his/her willingness to be elected. The period for lodgment of such a written notice shall be at least 7 days commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such meeting and such election and ending not later than 7 days prior to the meeting.

The Company has been practising the above shareholders' communication policy to handle enquiries put to the Board and will review them on a regular basis to ensure their effectiveness. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered office address or by email to the Company.