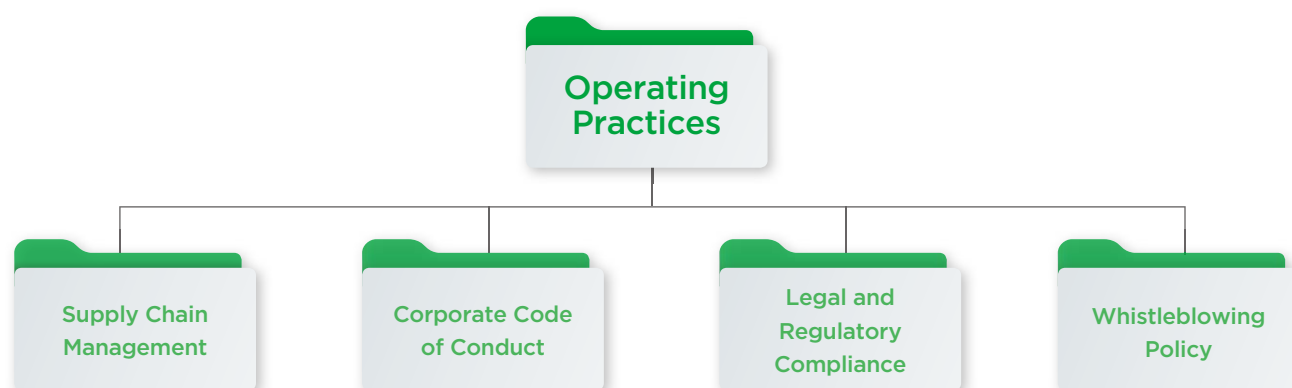




Operating Practices

Our operating practices are firmly established on policies and procedures relating to supply chain management, corporate code of conduct, legal and regulatory compliance and whistleblowing policy.



SUPPLY CHAIN MANAGEMENT

Policies on Managing Environmental and Social Risks in the Supply Chain

All of our new vendors are required to declare their compliance with KMB's "Environmental Care, Health and Safety of Suppliers / Sub-contractors" guidelines. For major purchasing projects, such as the purchase of new buses, we will also incorporate "Corporate Responsibility Considerations" in tender assessment criteria.

Operating Practices Relating to Engaging Suppliers and Sub-contractors

We expect our suppliers and sub-contractors' operations to be conducted in a socially and environmentally responsible manner as well as to comply with all legal and regulatory requirements.

CORPORATE CODE OF CONDUCT

Environmental Care, Health and Safety of Suppliers / Sub-contractors

We expect all of our suppliers and their sub-contractors to be committed to environmental care and to providing a healthy and a safe workplace for their employees, and to adopt the following measures:

- Continual improvement of environmental performance by preventing pollution through:
 - Enhancing employee awareness of environmental issues;
 - Encouraging energy conservation;
 - Promoting reduction of waste by proper treatment and finding alternative uses for waste; and
 - Complying with all relevant legislative requirements.

- Implementation and enforcement of proper health and safety procedures by:

- Providing and maintaining a safe and risk-free operating environment by adopting good systems, equipment and tools at works;
- Enforcing appropriate procedures for the use, handling, storage and transport of materials, as well as safe working methods; and
- Complying with all relevant legislative requirements.

Forced Labour and Child Labour

Suppliers and their sub-contractors undertake not to use forced labour in any form or child labour (persons below the local minimum age or below the age of 16).

In ensuring that our suppliers conduct their operations with full consideration of the environmental and social aspects, we require our tenderers to provide us with an account of their background on the following aspects of their operations and view their performance in these areas as a key factor when considering the awarding of contracts:

- The tenderer's awareness of
 - environmental care, health and safety; and
 - the prevention of use of forced labour and child labour.
- Measures taken by the tenderer to check compliance of its key suppliers / sub-contractors with its standards on Environmental Care, Health and Safety of Suppliers / Sub-contractors, and Forced Labour and Child Labour.
- Any major social controversies, fines or settlements related to activities of the tenderer's suppliers / sub-contractors.

We promote fair and open competition and aim at developing and securing long-term relationships with suppliers and sub-contractors based on mutual trust.

LEGAL AND REGULATORY COMPLIANCE

Our suppliers are expected to undertake all our contracts in a proper and lawful manner and under no circumstances do anything in violation of the Laws of the HKSAR.

Personal conduct of Directors and Employees

Our policy is to prohibit directors or employees from soliciting any advantage from clients, suppliers or any other person in connection with our business. In particular, detailed guidelines are laid down in KMB's Code of Conduct for Directors and Employees on the following aspects:

- Soliciting, accepting and offering advantages;
- Entertainment;
- Use of proprietary information;
- Handling of conflicts of interest;
- Misuse of assets and resources;
- Loans;
- Gambling;
- Outside employment; and
- Proper use of official position.

In addition, the Staff Handbook reminds all staff members that they should not make use of their position to solicit or receive any advantage from the public; also, that in the event of their encountering a situation in which they are offered gifts or money from the public while carrying out their daily duties, they must inform the management to receive instructions with regard to the proper handling of the gift / money. The Code of Conduct for Directors and Employees and the Staff Handbook are published on the Company's staff website.

Prevention of Bribery and of Corrupt Practices in Procurement

We manage all suppliers, sub-contractors and consultants equally without any preference between local and overseas parties. We promote fair and open competition and aim at developing and securing long-term relationships with suppliers and sub-contractors based on mutual trust. We ensure that the procurement of supplies and services will be

conducted with the highest ethical standards, thus ensuring a high quality end product as well as the continued confidence of customers, suppliers and the public. In this way, we also ensure that those involved in the selection of and purchase from suppliers and sub-contractors avoid misuse of authority or engagement in situations which could interfere, or appear to interfere, with their ability to make free and independent decisions regarding purchase and procurement.

Procurement and Tendering Procedures

The criteria for the procurement and tendering of services or goods are based solely upon price, quality, need and other relevant factors, including environmental and social responsibility standards.

Our procurement and tendering actions are based on the following principles:

- Impartial selection of capable and responsible suppliers and sub-contractors;
- Maximum use of competition;
- Selection of appropriate contract types according to needs;
- Compliance with laws, relevant regulations and contractual obligations; and
- Adoption of an effective monitoring system and management controls to detect and prevent bribery, fraud or other malpractices in the processes of procurement and tendering. Procurement and tendering procedures implementing this policy will specifically include procedures and practices designed to detect and prevent fraudulent activity.

Suppliers are requested to declare any close personal or business relationship with our directors, staff or handling agents. They are also requested to report to the Independent Commission Against Corruption any case in which they find any employee to have committed any offence of corruption under the Prevention of Bribery Ordinance (Chapter 201, Laws of Hong Kong). Should any supplier or sub-contractor be found to have committed any offence of corruption under the said Ordinance, we reserve the right to immediately terminate all outstanding contract(s) without allowing the supplier or sub-contractor recourse to any compensation or claim for loss.

WHISTLEBLOWING POLICY

The Group is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, the Group encourages employees, business partners, suppliers and any third party who have concerns about any suspected misconduct or malpractice within the Group to come forward and voice those concerns. The Group will endeavour to respond to the concerns expressed fairly and properly.

The Group's whistleblowing policy and procedures, which are published on the Company's website, applies to employees at all levels and in all divisions as well as to business partners, suppliers and any third party that deals with the Group.

The Audit Committee has overall responsibility for the whistleblowing policy, but has delegated day-to-day responsibility for overseeing and implementing it to the Company Secretary. Responsibility for monitoring and reviewing the operation of the policy and any recommendations for action resulting from investigation into complaints lies with the Audit Committee. The Company Secretary will monitor and review the use and effectiveness of the whistleblowing policy on a regular basis.