

Rykadan Capital Limited

Corporate Governance Manual

ADOPTED IN JULY 2021

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A. INTRODUCTION

Rykadan Capital Limited (the “**Company**”) is committed to maintaining high standards of corporate governance in order to protect the interests of the shareholders of the Company (the “**Shareholders**”). The Code on Corporate Governance Practices in Appendix 14 (the “**CG Code**”) to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. Issuers are expected to comply with the code provisions while the recommended best practices are for guidance only. Issuers may devise their own codes on corporate governance practices on such terms and conditions they deem appropriate, provided reasons are given for any deviation.

As part of its ongoing review of the Company’s corporate governance standards, the Board of directors of the Company (the “**Board**”) has, based on our standards and experience, adopted this Corporate Governance Manual (the “**Manual**”) which sets out our corporate governance policies and practices used by the Company and its subsidiaries from time to time (the “**Group**”) in the management of our businesses, to regulate the activities of the Board and the directors of the Company (the “**Directors**”).

The Board will continue to periodically review the Manual with a view to continuously improving the Company’s corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs. The Board will ensure that so far as is practical in the circumstances, the policies and practices expressed in the Manual are consistently applied and adhered to in the management of its businesses. The Manual may only be amended with the approval of a simple majority of all the Directors from time to time.

B. THE BOARD

I. Role of the Board

- (a) The Board represents the Shareholders in managing the Company's affairs. Members of the Board are expected to exercise their judgment to act in what they reasonably believe to be in the best interests of the Company and the Shareholders. The Non-executive Directors have the same duties of care and skill and fiduciary duties as the Executive Directors. The Board recognises its and the Senior Management's (as defined below) responsibilities to enhance shareholder value and to conduct themselves in accordance with their duties of care and integrity.
- (b) While at all times the Board retains full responsibility for guiding and monitoring the Company and overseeing (rather than performing) the day-to-day management and corporate governance of the Company and the conduct of its business, in discharging its duties, certain responsibilities are delegated as follows:
 - (1) standing committees – various standing committees (the “**Committees**”) have been established to deal with different aspects of the Company's functions. The principal Committees are: the Audit Committee, the Nomination Committee and the Remuneration Committee. Each standing Committee's constitution, power and duties are clearly defined by their respective terms of reference, and is accountable to the full Board. Ad hoc Board Committees may also be established as required from time to time;
 - (2) Company's Chief Executive Officer – the day-to-day management of the business of the Company is delegated to the Chief Executive Officer who is accountable to the Board; and
 - (3) the heads of the departments/divisions (the “**Senior Management**”) and Chief Executive Officer's sub-delegation of duties – certain responsibilities are delegated to the Senior Management by the Board or the Chief Executive Officer within the parameters specified by the Board. The Senior Management is accountable to the Chief Executive Officer and in some cases, to the Board directly.

The Board shall review its arrangement on delegation of responsibilities and authority regularly to ensure that such delegations are appropriate in view of the Company's prevailing circumstances and that appropriate reporting systems are in place. As a general principle, the Board should not delegate matters to a Committee, the Chief Executive Officer, the other executive Directors, the Senior Management to such an extent that would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.

- (c) The Board has a role in overseeing corporate governance functions. The terms of reference for the Board in relation to corporate governance functions is attached as Appendix V to the Manual and shall be posted on the Company's website and shall be provided to the Shareholders upon request to the Company Secretary.

- (d) The following matters (including changes to any such matters) (the “**Reserved Matter**”) must first be specifically considered by the full Board. After such consideration, the full Board may then delegate the final decision making power to a Committee to pursue that particular Reserved Matter for that particular time, subject to such terms and conditions as that full Board may consider appropriate to impose in respect of furthering that particular Reserved Matter:
- (1) any matter determined by the Board to be material involving any conflict of interests of a substantial Shareholder of the Company or a Director (see paragraph B.I.(j));
 - (2) any matter relating to the formulation of the Company’s strategies and directions including:
 - (i) policies relating to the overall strategic plans and strategic directions of the Company;
 - (ii) policies relating to key business and financial objectives of the Company, vision and values of the Company;
 - (iii) policies relating to dividend policy and the declaration of any interim dividend and final dividend and any recommendation to the Shareholders for declaration of any dividend pursuant to that policy; and
 - (iv) the entering into of contracts, acquisitions, investments, divestments, disposal of assets or any significant capital expenditure which are deemed to be material by the Board and for the purposes of this sub-clause “materiality” is determined by reference to the percentage ratios of a notifiable transaction as defined in the Listing Rules;
 - (v) the considerations of any connected transactions which require prior approval of the Shareholders;
 - (vi) the approval of disposals or acquisitions of assets by the Group other than in accordance with the approved budget (unless it is below HK\$1 million);
 - (vii) the approval of contracts not entered into in the ordinary course of business of the Group;
 - (3) financial controls, compliance and risk management:
 - (i) the approval of annual operating and capital expenditure budgets for the Company;
 - (ii) the approval of the Company’s financial statements (unaudited or audited) and published reports;

- (iii) the establishment and review of the effectiveness of the Company's systems of internal control and risk management process; and
 - (iv) the adoption of, or approval for any significant changes in, accounting policies or procedures of any member of the Group;
 - (v) the approval of treasury, taxes, financial risk management and capital policies (including funding and the issue of ordinary shares, different classes of shares and different forms of borrowings);
 - (vi) the approval of capital expenditure, acquisitions and disposals in excess of the discretionary power of the relevant officer (if any) of the Company;
 - (4) corporate structure – changes to the Company's capital structure, including reductions of share capital, share buy-backs or issue of new securities, other than in accordance with the terms of the share option scheme(s) or other incentive schemes adopted by the Company from time to time;
 - (5) major appointments:
 - (i) appointments to the Board, taking into account any recommendations of the Nomination Committee;
 - (ii) the appointment of the Chairman and the Chief Executive Officer;
 - (iii) recommendation to the Shareholders on the appointment or removal of external auditors after taking into consideration the recommendations of the Audit Committee; and
 - (iv) the appointment or removal of the Company Secretary;
 - (6) delegation of authority:
 - (i) changes to terms of reference or membership of any Committee;
 - (ii) changes to the authority delegated to the Chief Executive Officer; and
 - (iii) matters which exceed the authority delegated to the Chief Executive Officer; and
 - (7) the adoption, review and approval of changes to the Manual or the Model Code for Securities Transactions applicable to the Directors, and certain employees of the Company and its subsidiaries (the “**Model Code for Securities Transactions**”).
- (e) Subject to the Chairman's primary responsibilities as set out in paragraph B.IV.(b) below, the day-to-day management of the Company is delegated to the Chief Executive Officer and his management team. This delegation of authority includes responsibility for:

- (1) ensuring that the Board is provided with sufficient information and explanation on a timely basis in regard to the Company's businesses, and in particular with respect to the Company's performance, financial condition, operating results and prospects, to position the Board to fulfill its governance responsibilities and to enable it to make an informed assessment for matters put before the Board for approval;
 - (2) implementing the policies, processes, the Manual, and the Model Code for Securities Transactions approved by the Board; and
 - (3) implementing policies, processes and procedures for the management and development of the Company's employees.
- (f) The full Board shall meet regularly at least 4 times a year (at approximately quarterly intervals) (such regular Board meeting(s) to be referred to as "Regular Board Meeting(s)") where at least a majority of the Directors shall be present (including at least an independent non-executive Director).

Management's views are communicated to the Board via the Chief Executive Officer and other Executive Directors. The Senior Management should also attend Board meetings when required.

- (g) The Chairman, in consultation with the Chief Executive Officer and the Company Secretary and/or his designated delegates, should be primarily responsible for drawing up and approving the agenda for each Board meeting. To the extent that is practicable to do so, the Company Secretary or his designated delegates should ensure that the following procedures are followed in preparation of the Board meeting:
- (1) the draft notice of the proposed Board meeting together with the draft agenda and relevant Board papers should be circulated in full to all Board members for consideration and comment reasonably in advance of the proposed Board meeting. In particular, the draft notice of Board meeting should specify the proposed time period during which the proposed Board meeting is to be convened, and seek Directors' confirmations as to whether they wish to include any matters in the agenda for the proposed Board meeting and to invite any member of the Senior Management, any external advisors and any other person to attend the proposed Board meeting to answer queries on matters to be put forward to the Board, and the Directors shall be reminded of their rights to seek further information, to obtain independent external advice and to have access to the Company Secretary or his designated delegates, as set out in paragraph B.I.(n) below;
 - (2) the Company Secretary or his designated delegates should thereafter within 5 business days (meaning a day on which banks in Hong Kong are generally open for business excluding Saturdays, to be referred to as a "**Business Day**") of circulation of the Board meeting materials described in paragraph (a) above, consult and confirm with each Director for any comment on the proposed agenda or inclusion of new matters in the agenda, date of Board

meeting and whether they need any further information or wish to invite any other person to attend the Board meeting; and

- (3) the final agenda, notice of Board meeting (other than a Regular Board Meeting) and related Board papers should then be circulated at least 3 Business Days prior to the Board meeting.
- (h) At least 14 days notice should be given of a Regular Board Meeting. The Chairman has the discretion to call a meeting if circumstances arise requiring attention of the Board before the next Regular Board Meeting. The Chairman will instruct the Company Secretary or his designated delegates to send written notification to Board members regarding such meetings aiming to give as much notice as possible in the circumstances.
- (i) Subject to paragraph B.I.(j) below and that the relevant matter requiring consent of the Board or the Committee is not a matter reserved for the full Board under paragraph B.I.(d) or normally subject to approval at a Regular Board Meeting, the Chief Executive Officer or the presiding chairperson may instruct the Company Secretary or his designated delegates to circulate written resolutions to obtain consent(s) of the Board or the Committee in accordance with the Articles of Association of the Company (the “**Articles**”) and the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”).
- (j) Where the matter subject to consent of the Board involves any conflict of interests of a substantial Shareholder of the Company or a Director which is considered and determined by the Board to be material, such matter should not be dealt with by way of a written resolution or by a Committee (except by an independent Board Committee specifically established for such purpose as resolved in a Board meeting). A Board meeting should be held at which independent non-executive Director(s) (“**INED(s)**”) who and whose associates have no material interest in the matter under consideration should be present. A Director shall absent himself from any Board meeting, or the relevant part of the Board meeting, at which matter(s) in which he has a material interest is(are) discussed, unless he is specifically requested to attend or to remain in the meeting by the Directors who have no interest in such matter(s).
- (k) The Company Secretary or his designated delegates shall record minutes of all duly constituted meetings of the Board, and the Committees. All minutes should record in sufficient detail the matters considered by the Board or the Committees, decisions reached and/or recommendations made and any concerns raised by the Directors or dissenting views expressed, especially those made by INEDs, if any.
- (l) Draft and final versions of minutes of meetings of the Board, or the Committees should be circulated by the Company Secretary or his designated delegates to all Directors, or members of the Committee (as the case may be) for their comment and records respectively, in all cases, within a reasonable time after the relevant meeting is held.
- (m) Minutes of Board meetings and meetings of the Committees should be kept by

the Company Secretary or his designated delegates or the duly appointed secretary of the meeting (as the case may be).

- (n) To enable the Directors to discharge their duties effectively, each Director:
- (1) shall have access to the advice and services of the Company Secretary or his designated delegates with a view to ensuring that Board procedures and all applicable rules and regulations are complied with;
 - (2) can make further queries and seek information from the Company Secretary (or his designated delegates) or the Senior Management if the Director considers that he does not have sufficient information to make an informed decision on matters put before the Board;
 - (3) with the prior approval of the Chairman (such approval not to be unreasonably withheld), can invite other persons such as any member of the Senior Management or external advisers to attend meetings of the Board or the Committees to answer queries on matters put forward at such meetings;
 - (4) with the prior approval of the Chairman (such approval not to be unreasonably withheld), can seek independent legal, financial or other professional advice to assist in discharging their duties and responsibilities at the expense of the Company; and
 - (5) has right of access to all information including Board papers and related material, minutes of Board meetings and Committee meetings at any reasonable time on reasonable notice so long as such access was not sought for personal purposes.

II. Composition of the Board

- (a) The composition of the Board must conform with article 83 of the Articles, which currently sets the number of Directors that may sit on the Board at a minimum of two. As at 1 July 2021, the Board consists of 7 members including 1 non-executive director (“**NED**”) and 3 INEDs.

The INEDs help to ensure that the interests of all Shareholders are fairly and properly taken into account by the Board. The Board has an objective to maintain the proportion of the INEDs to at least one-third of the Board.

Details of the membership of the Board (including the INEDs) and the roles and functions of the Directors should be given in the Annual Report and on the Company’s website.

- (b) The Board should have a balance of skills and experience appropriate for the requirement of the business of the Company.

The Board should regularly review its composition to ensure that the Board continues to have the necessary mix of skills, expertise and experience necessary for the conduct of the Company’s business and alignment with the interests of

the Shareholders. The Board should ensure that changes to its composition can be managed without undue disruption.

The Company has a policy concerning diversity of board members and is attached as Appendix VI to the Manual and shall be provided to the Shareholders upon request to the Company Secretary.

- (c) The Board should include a balanced composition of executive and non-executive Directors (including INEDs) so that there is an independent element on the Board, which can effectively exercise independent judgment, and that non-executive Directors should be of sufficient caliber and number for their views to carry weight. In particular, the Board must include at least three INEDs. In assessing independence of each INED, the Board shall have regard to the requirements under the Listing Rules.
- (d) The non-executive Directors of the Company should:
 - (1) participate in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct;
 - (2) take the lead where potential conflicts of interests arise;
 - (3) serve on the Audit Committee, Nomination Committee, Remuneration Committee and other governance committee, if invited; and
 - (4) scrutinize the Company's performance in achieving agreed corporate goals and objectives, and monitor performance reporting.
- (e) The Shareholders shall have access to an updated list of Directors identifying their roles and functions and whether they are NEDs or INEDs on the Company's website.

III. Appointments, re-election and removal

- (a) The Board has established a Nomination Committee (see paragraph C.VII. below). The appointment of a new Director is a matter for consideration by the Nomination Committee and decision by the full Board. The Board needs to be satisfied that any Board nominee is able to devote sufficient time to carry out his duties or responsibilities effectively and should be committed to serve on the Board for an extended period to serve the long-term interests of the Shareholders. Any Board nominee who believes that he is unable to give sufficient time and attention to the affairs of the Company should decline the appointment. Board nominees, as recommended by the Nomination Committee and approved by the Board, are put to a vote of the Shareholders at a general meeting.
- (b) Where a Board vacancy occurs during the course of the year, the Board may fill the vacancy. The Board may also appoint one or more additional Directors. All Directors appointed by the Board shall hold office for a term expiring not later than the next following general meeting of the Company (in the case of filling a causal vacancy) or until the next following annual general meeting ("AGM") of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting provided that any Director who so retires shall not be taken into account in determining which Directors are to retire by rotation at

that AGM as described in paragraph B.III.(c) below.

- (c) Currently, the Articles require that one-third of the Directors shall retire each year. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. All Directors subject to retirement by rotation may offer themselves for re-election.
- (d) Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.
- (e) An outgoing Director should abstain from voting in respect of a resolution proposed at a Board meeting in respect of the appointment of his successor or his re-appointment.
- (f) Where any significant change of circumstances renders a Director unable to discharge his responsibilities as a director, he should resign.
- (g) The Company Secretary of the Company or his designated delegates should ensure that all disclosure obligations under the Listing Rules regarding the election, re-election, resignation or removal of Directors are duly complied with.
- (h) Each Director should disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organizations and other significant commitments. The identity of the public companies or organizations and an indication of the time involved should also be disclosed. The Company will disclose such information at least once annually in the Company's annual reports.

IV. Chairman and Chief Executive Officer

- (a) The roles of Chairman and Chief Executive Officer should be separate and should generally not be performed by the same individual to ensure that there is a clear division of responsibilities at the Board level to entail a balance of power and authority.
- (b) The Chairman is responsible for the overall leadership of the Board, for ensuring that the Board functions effectively, and for ensuring communication of the views of the Board to the public. In performing this role, the Chairman's responsibilities include:
 - (1) chairing meetings of the Board;
 - (2) leading the overall corporate strategy and direction of the Company;
 - (3) working in conjunction with other members of the Board (including the Chief Executive Officer) to formulate strategy and supervising the business of the Company;

- (4) taking primary responsibility for ensuring that good corporate governance practices and procedures are established;
 - (5) ensuring the Board meetings receive accurate, complete, timely and clear information concerning the affairs of the Company;
 - (6) ensuring constructive relations between executive and non-executive Directors;
 - (7) formulating for discussion and decision, questions which have been moved for the consideration of the Board;
 - (8) ensuring that all Directors are properly briefed on issues arising at the Board meetings;
 - (9) acting as liaison between the Board and management;
 - (10) in consultation with the Chief Executive Officer and the Company Secretary or his designated delegates, drawing up and approving the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda;
 - (11) at least annually holding meetings with the non-executive Directors (including INEDs) without the presence of the executive Directors; and
 - (12) ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole
- (c) Subject to specific delegations by the Board from time to time, the Chief Executive Officer has responsibility for the following functions:
- (1) recommending policy and strategic directions for Board approval;
 - (2) implementing the strategies and policies adopted by the Board and to conduct the day-to-day operation of the Company;
 - (3) developing and formulating business plans, budgets, strategies, business and financial objectives of the Company for consideration by the Board, and to the extent approved by the Board, implementing these plans, budgets, strategies and objectives;
 - (4) operating the Company's businesses within the parameters set by the Board from time to time, and keeping the Board informed of material developments of the Company's businesses;
 - (5) where proposed transactions, commitments or arrangements exceed the parameters set by the Board, referring the matter to the relevant Committee or the Board (as the case may be) for consideration and approval; and

- (6) identifying and managing operation and other risks, and where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks for consideration by the Board.

V. Company Secretary

- (1) The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and should also facilitate induction and continuous education of Directors.
- (2) The Company Secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. Where the Company engages an external service provider as its Company Secretary, it should disclose the identity of a person with sufficient seniority of the Company whom the external provider can contact.
- (3) The Board should approve the selection, appointment or dismissal of the Company Secretary by way of a physical Board meeting rather than by written resolutions.
- (4) The Company Secretary should report to the Chairman and/or the Chief Executive Officer.
- (5) All Directors should have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

VI. Board member orientation and continuing education programs

- (a) The Administrative & Accounting Supporting Division of the Company shall be responsible for organizing a Board orientation program for all newly appointed Directors appropriate to their experience, which should generally cover the following areas:
 - (1) presentation by officers of the Company or other key executives of the Company on the Company's organization structure and business model;
 - (2) an overview of the rights and duties, legal and ethical responsibilities of a director, including obligations under statute and common law, the Listing Rules, applicable legal and regulatory requirements, business and governance policies of the Company and "Non-statutory Guidelines on Directors' Duties" issued and updated by the Companies Registry from time to time;
 - (3) an overview of the role and operation of the Board and its Committees; and

- (4) an overview of the business goals, financial, strategic, operational and risk management positions of the Company.
- (b) All Directors are also encouraged to undertake continuing education relating to the following:
 - (1) new development on the rights and duties, legal and ethical responsibilities of directors, changes to the Companies Ordinance, the Companies Law, the Listing Rules and applicable legal and regulatory compliance requirements which affect the Group as a whole; and
 - (2) other material as deemed appropriate by the Chairman or as suggested to the Chairman by other members of the Board.
- (c) Directors should provide a record of the training they received to the Company.

VII. Review by independent non-executive Directors

- (a) The independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the deed of non-competition dated 3 August 2009 (the “**Non-Competition Deed**”) by the Covenantors and their respective Controlled Companies (both as defined in the Non-Competition Deed), the options, pre-emptive rights or first rights of refusal (if any) provided by the Covenantors and their respective Controlling Companies on their existing or future competing businesses.

C. COMMITTEES

I. Establishment of Committees

The Board may establish Committees responsible for considering detailed issues and making recommendations for consideration by the entire Board. The Board may from time to time delegate its decision making authority or part thereof to a Committee, subject to applicable laws and the terms of reference of the relevant Committee. The Board should ensure that sufficient resources are made available to each Committee to ensure that it can duly and fully discharge its duties. The Board as a whole is held ultimately accountable.

II. Committees accountable to the Board

All Committees must report back to the entire Board on their decisions or recommendations, unless there are legal or regulatory restrictions restricting their ability to do so. An index of minutes of meetings must be tabled at the next Regular Board Meeting for review and the full minutes of meetings of the Committees and committee papers are accessible to all Directors and copies available on request.

III. Attendance of meetings of Committees

Apart from members of the Committees, other Directors, senior managers and employees of the Company may attend meetings of the Committees if invited.

IV. Current structure of the Committees

The Board has established a number of standing committees including the following principal Committees:

- ◆ Audit Committee;
- ◆ Remuneration Committee; and
- ◆ Nomination Committee,

The terms of reference of the above Committees are available on the Company's website and upon written request to the Company Secretary.

The Board may from time to time establish and delegate specific responsibilities to ad hoc Committees, such as an independent Board Committee to deal with matters involving conflict of interests of Directors or substantial Shareholders of the Company, connected transactions or a special purpose Committee to deal with major or material transactions of the Company.

V. Audit Committee

- (a) The main function of the Audit Committee is to assist the Board to review and supervise the financial reporting, risk management, internal control systems and the internal and external audit functions and to provide advice and comments to

the Board. It will in particular be responsible for reviewing the completeness, accuracy, clarity and fairness of the Company's financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions. The Board shall in consultation with the chairman of the Audit Committee provide sufficient resources to enable the Audit Committee to discharge its duties. Systems and procedures for managing connected transactions are set out in Appendix I to the Manual.

- (b) The Audit Committee should annually assess the appointment of the external auditors, taking into account the quality and rigour of the audit, the quality of the audit service provided, the auditing firm's quality control procedures, relationships between the external auditors and the Company, and the independence of the auditors. The external auditors appointed by the Company shall be approved by the Shareholders at the AGM. The Audit Committee will review their reports.
- (c) The Audit Committee should also guide the management to take appropriate actions to remedy faults or deficiencies in any issues of internal control which may be identified. It will also review the Company's compliance with legal, ethical and regulatory requirements on a regular basis and oversee the Company's compliance with applicable laws and regulations.
- (d) The Audit Committee comprises not less than three members, a majority of whom should be INEDs. At least one INED shall have the appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules. Two members of the Audit Committee who are INEDs shall form a quorum.
- (e) Any former partner of the Company's existing auditing firm (the "**Firm**") is prohibited from being a member of the Company's Audit Committee for a period of 1 year commencing on the date of his ceasing:
 - (1) to be a partner of the Firm; or
 - (2) to have any financial interest in the Firm,whichever is the later.
- (f) The Audit Committee shall meet at least 2 times a year and special meetings may be called at the discretion of the Chairman of the Audit Committee or at the request of the Board or Senior Management to review significant control or financial issues or as and when the work of the Audit Committee demands.
- (g) Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the auditors, the Company shall disclose in its corporate governance report prepared in compliance with the requirements of Appendix 14 to the Listing Rules (the "**Corporate Governance Report**") the recommendation of the Audit Committee and the reasons why the Board has taken a different view.

- (h) The terms of reference of the Audit Committee is attached as Appendix II to the Manual and shall be posted on the Company's website and shall be provided to the Shareholders upon request to the Company Secretary.

VI. Remuneration Committee

- (a) The main function of the Remuneration Committee is to assist the Board to oversee the Company's remuneration practices to ensure effective policies, processes and practices for rewarding Directors and the Senior Management/Heads of Departments, and that the reward programs are fair and appropriate and managed with integrity and in compliance with the Listing Rules and other applicable rules and regulations. It shall also review the terms and conditions of employment of the Senior Management and the Directors and recommend the manpower deployment plan (including the succession plan for the management and the Board). The Board shall in consultation with the chairman of the Remuneration Committee provide sufficient resources to the Remuneration Committee to enable it to discharge its duties.
- (b) The Remuneration Committee comprises not less than 3 members, a majority of whom shall be INEDs. Two members of the Remuneration Committee who are INEDs shall form a quorum.
- (c) The Remuneration Committee shall meet at least once a year or as requested by the Director responsible for human resources function or the Board or the chairman of the Remuneration Committee or as and when the work of the Remuneration Committee demands.
- (d) The terms of reference of the Remuneration Committee is attached as Appendix III to the Manual and shall be posted on the Company's website and shall be provided to the Shareholders upon request to the Company Secretary.
- (e) The Remuneration Committee should consult the Chairman and/or the Chief Executive Officer in making their recommendations relating to the remuneration of the other executive Directors, and may, from time to time, seek advice from special personnel consulting groups so as to ensure that the Board remains informed of market trends and practices.

VII. Nomination Committee

- (a) The main function of the Nomination Committee is, having regard to the independence and quality of nominees, to make recommendations to the Board on the suitability and qualification of candidates for Directors so as to ensure that all nominations are fair and transparent. The Board shall in consultation with the chairman of the Nomination Committee provide sufficient resources to the Nomination Committee to enable it to discharge its duties.
- (b) The Nomination Committee comprises not less than 3 members, a majority of whom shall be INEDs. Two members of the Nomination Committee shall form a quorum of whom at least one is an independent non-executive Director.

- (c) The Nomination Committee shall meet before the holding of AGM where the appointment of Directors will be considered and shall meet as and when required or as requested by the Director responsible for human resources function or the chairman of the Nomination Committee to consider and review the structure, size and composition of the Board and make recommendations to the Board or as and when the work of the Nomination Committee demands.
- (d) The terms of reference of the Nomination Committee is attached as Appendix IV to the Manual and shall be posted on the Company's website and shall be provided to the Shareholders upon request to the Company Secretary.

D. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

- I.** The main elements of the Company's remuneration policy are:
 - (a) no individual should determine his or her own remuneration;
 - (b) remuneration should be broadly aligned with companies with whom the Company competes for human resources;
 - (c) the Company should aim to design policies that attract and retain the executives needed to run the Company successfully and to motivate executives to pursue appropriate growth strategies while taking into account performance of the individual but the Company should avoid paying more than is necessary for such purpose; and
 - (d) remuneration should reflect performance, complexity and responsibility of the individual.
- II.** Remuneration of the Directors (including the Chief Executive Officer) and the Senior Management should be structured to include salary, bonuses, incentive schemes (e.g. share options in the Company) or benefits in kind so as to provide them with incentives to improve their individual performance.
- III.** Non-executive Directors should be remunerated by way of fees (in the form of cash, non-cash benefits or statutory superannuation contributions).
- IV.** The amount of remuneration, both monetary and non-monetary, for the five highest paid employees on a no-name basis, and for all Directors on an individual and named basis, for the relevant financial year shall be disclosed in the Company's annual report.
- V.** The Board shall ensure that at all times a Remuneration Committee (see paragraph C.VI.) is established to review and make recommendations to the Board on the remuneration of the Directors and the Senior Management.

E. FINANCIAL REPORTING

- I.** The Board should ensure that a balanced, clear and comprehensible assessment of the Company's performance, position and prospects is presented to the Shareholders. The same standard shall extend to all financial statements, published reports relating to the Company, price-sensitive announcements and other financial disclosure required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements. Regular management reports on the financial position and prospects of each division/department shall be reviewed to ensure clear and consistent disclosures to enable the Board to make an informed assessment.
- II.** In preparing the Corporate Governance Report, the Directors shall have regard to and comply with the requirements of the CG Code and the Manual and acknowledge in the Corporate Governance Report their responsibility for preparing the Company's accounts.
- III.** The Company shall state whether they have complied with the code provisions (but not the recommended best practices) set out in the CG Code for the relevant accounting period in the interim reports and annual reports. Where the Company has deviated from any of the code provisions (but not the recommended best practices) of the CG Code, the Company shall give considered reasons in the Corporate Governance Report in the case of annual reports. In the case of interim reports, clear and unambiguous references can be made to the Corporate Governance Report in the immediately preceding annual report to the extent that it is reasonable and appropriate, and details of any changes together with considered reasons for any deviation not reported in that annual report shall be provided.
- IV.** Apart from the issuance of interim and annual results, the Company shall release quarterly financial highlights and operational review or quarterly reports as and when required by the Listing Rules (or deemed appropriate by the Company) as soon as reasonably practicable (or as required by the Listing Rules as the case may be) after the end of the relevant quarter, disclosing all such information as would enable the Shareholders to assess the performance, financial position and prospects of the Company.

F. RISK MANAGEMENT AND INTERNAL CONTROL

- I.** The objective of risk management and internal control is to safeguard the Company's assets against unauthorised use or disposition and to ensure that the Company's accounting records are properly maintained and all the financial information is accurate and reliable.

The Board is responsible 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 risk management and internal control systems are designed to manage rather than eliminate the risks and can only provide reasonable and not absolute assurance against material errors, losses or fraud. The Board shall engage a consultancy firm (the "**Consultant**") to assist with implementation of a risk management framework, identification, assessment and prioritization of top risks, to review the Company's internal audit procedures and plans and to conduct, on an annual basis, audits of the practices, procedures, expenditures and internal controls of all divisions/departments of the Group and submit report to the Board and the Audit Committee. The Board or the Senior Management may also requests the Consultant to review specific areas of concern.

Concerns which have been reported by the Consultant shall be monitored regularly by the management to ensure that appropriate remedial measures have been implemented.

The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

The Board should oversee the Company's risk management and internal control on an ongoing basis, ensure that a review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems have been conducted at least annually and report to the shareholders of the Company that they have done so in their Corporate Governance Report. The Board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

- II.** The Company's internal control system shall ensure:
- (a) the existence of an adequate control environment;
 - (b) the existence of an adequate risk management system;
 - (c) timely and effective communication of management and operating control information throughout the Group; and
 - (d) continuous review over the adequacy of and the application of existing

control systems and practices.

- III.** To regulate share dealings by Directors and certain employees of the Group in relation to shares, options and other securities of the Company, and to promote ethical and responsible practices, the Board shall ensure that the Company shall maintain in effect the Model Code for Securities Transactions. The provisions of the Model Code for Securities Transactions shall be no less exacting than those of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). All Directors, in any event, are required to comply with the Model Code.

G. SHAREHOLDERS' COMMUNICATION POLICY

1. PRINCIPLES

- 1.1 The Company is committed to providing shareholders of the Company (the "Shareholders") and other stakeholders (including potential investors) with balanced and understandable information about the Company.
- 1.2 The board of directors of the Company (the "Board") should be responsible for:
 - maintaining an on-going dialogue with Shareholders and encouraging them to communicate actively with the Company; and
 - establishing this Shareholders' Communication Policy (the "Policy") and reviewing the Policy on a regular basis to ensure its effectiveness.

2. PURPOSE

- 2.1 The Policy aims to:
 - promote effective communication with Shareholders and other stakeholders;
 - encourage Shareholders to engage actively with the Company; and
 - enable Shareholders to exercise their rights as shareholders effectively.

3. SOURCES OF COMMUNICATION

3.1 Corporate Communication

- 3.1.1 "Corporate Communication" as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form.
- 3.1.2 The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkexnews.hk) in a timely manner as required by the Listing Rules.

- 3.1.3 Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules.

3.2 Announcements and Other Documents pursuant to the Listing Rules

- 3.2.1 The Company shall publish announcements (on price sensitive information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

3.3 Corporate Website

- 3.3.1 Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.rykadan.com) under the "Corporate Governance" / "Investor Relations" section.

3.4 Shareholders' Meetings

- 3.4.1 The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders.
- 3.4.2 The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s).
- 3.4.3 Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings.
- 3.4.4 Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any).
- 3.4.5 The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

3.5 Shareholders' Enquiries

- 3.5.1 **Enquiries about Shareholdings**

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

3.5.2 Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of Chairman of the Board / Chief Executive Officer / Company Secretary, by fax: 2547 0108, or mail to Room 2701, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon. Shareholders may call the Company at 3102 3120 for any assistance.

Note: Shareholders' information may be disclosed as required by law.

H. GENERAL OBLIGATION OF DISCLOSURE AND CONFIDENTIALITY

I. Apart from compliance with all the specific requirements in the Listing Rules, the Company shall keep The Stock Exchange of Hong Kong Ltd (the “**Stock Exchange**”) and the Shareholders informed as soon as reasonably practicable of any information relating to the Group (including information on any major new developments in the Group’s sphere of activity which is not public knowledge) which:

- (a) is necessary to enable them and the public to appraise the position of the Group;
- (b) is necessary to avoid the establishment of a false market in its securities;
- (c) might be reasonably expected materially to affect market activity in and the price of its securities.

II. The Company shall ensure that information would not be divulged outside the Company and its advisers in such a way as to place in a privileged dealing position any person or class or category of persons. In any such case the persons receiving such information will be expected not to deal in the issuer’s securities until the information has been released.

III. When developments are on hand which are likely to have a significant effect on market activity in or the price of any listed securities, it is the direct responsibility of the Directors to ensure that such information is kept strictly confidential until a formal announcement is made. The Directors shall ensure that the strictest security is observed within the Company and its advisers and if at any time it is felt that the necessary degree of security cannot be maintained or that security may have been breached, an announcement should be made. The Board shall set out guidelines on confidentiality for the Company and its employees to observe taking into account the following main principles:

- (a) Confidential information shall only be circulated on a need-to-know basis or for the purpose of performing the obligations of the Group and its affairs and the circulation list of such information should be strictly monitored;
- (b) Confidential Information should never be discussed with or communicated to any person who does not need to know the information in order to conduct business on behalf of the Group;
- (c) Authorised users in possession of access codes to computer systems shall ensure that such codes are not disclosed to any other person except with the written authority of any Director or his delegates. If an employee needs to have a computer access code, it will be given to the employee by a Director;
- (d) All materials containing confidential information shall not be misplaced and shall be securely stored;
- (e) No employee shall discuss any confidential matter with external parties who

are not privy to the relevant matter. Any queries from external parties shall be referred to the Chief Executive Officer or Chief Operating Officer in the first instance, who shall obtain external legal advice if necessary;

(f) Any external agents or other professional parties assisting with the business of the Group (including without limitation any transaction) shall be reminded that they are equally subject to the above confidentiality obligations including, where applicable, the requirement to keep the existence of a transaction and the information related to the transaction strictly confidential;

(g) Any employee of the Group who becomes aware of any breach of the above shall report to the Company Secretary immediately. The Company Secretary shall then inform the Board and recommend remedial measures and procedures to prevent recurrence of such breach. The Company Secretary may obtain professional advice if he/she considers appropriate.

IV. The Company and the Directors must handle properly all price-sensitive information. The Stock Exchange has issued the “Guide on Disclosure of Price sensitive Information” which is available in its website. Every Director should study the relevant rules in details.

V. The Board shall ensure that information which is expected to be price-sensitive should be announced immediately it is the subject of a decision, failure of which may result in the Stock Exchange imposing a temporary suspension of dealings.

Appendix I

Guidelines and Procedures on Connected Transactions

Introduction

1. Following the listing of the Company, there will be, and it is likely that there will continue to occur from time to time, a number of transactions between the Company and its subsidiaries (collectively, the “**Group**”) and parties which have a relationship or connection with the Group.
2. The Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) contain rules governing transactions between the Group and certain defined categories of connected persons within the meaning given in the Listing Rules. Such transactions may be either one-off transactions or continuing transactions and will constitute “connected transactions” for the purpose of the Listing Rules. Different rules apply in each case. However in respect of all connected transactions, the Company shall enter into a written agreement with the relevant parties.
3. Rules 1.01 and 14A.11 of the Listing Rules contain definitions of connected persons, Rule 14A.13 of the Listing Rules contains the definition of “connected transaction” and Rule 14A.14 of the Listing Rules contain the definition of “continuing connected transaction”.
4. The guidelines set out in this Appendix constitute the internal control system intended to ensure that connected transactions of the Company are monitored and that these are undertaken on terms in compliance with the Listing Rules.

Internal Controls

5. The Company has established an internal control system intended to ensure that connected transactions of the Company between the Group and its connected persons are monitored and undertaken in compliance with the Listing Rules.
6. The Company shall investigate and monitor all transactions by the Group in order to determine whether such transactions are connected transactions. Such investigation should be carried out before such transactions are entered into by the Group.
7. Where practicable, each counterparty to a transaction with the Group shall be required to confirm to the Company whether the counterparty is a connected person. Such confirmation should be obtained, if practicable, before such transactions are entered into by the Group.
8. The Company shall maintain a register of connected persons. The Financial Controller of the Company (the “**Financial Controller**”) is responsible for recording all connected persons of the Company and identified and to update

such register on a regular basis. The Company shall also maintain a register of connected transactions. The Financial Controller is responsible for recording all connected transactions which are entered into by members of the Group and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into.

9. The Company shall also incorporate into its internal audit plan a review of all connected transactions entered into by members of the Group.
10. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor connected transactions (as set out in this Appendix) have been complied with and, among others, whether the transactions are entered into (i) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties, (ii) in the ordinary and usual course of business, (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Specific Limitations

11. Rule 14A.18 of the Listing Rules provides that the Company shall ensure that the following parties abstain from voting at the relevant meeting on resolution(s) approving a connected transaction:
 - (a) any connected person with a material interest in the transaction; and
 - (b) any person falling within Rules 14A.13(1)(b)(i) to (iv) of the Listing Rules that has a material interest in the transaction and its associates.
12. Notwithstanding the internal control procedures described above, the Company shall ensure compliance with the Listing Rules on all connected transactions.

Ongoing Monitoring

13. The Financial Controller shall use reasonable endeavours to collect information as to whether a counterparty to a transaction with the Group is a connected person, by requesting confirmation from each such counterparty as to whether such counterparty is a connected person.
14. The Financial Controller shall maintain an updated list of known connected transactions with each of the connected persons. When in doubt, the Financial Controller shall check with the senior management and/or seek legal advice as to whether a transaction is a connected transaction. The Company may also need to consult the Stock Exchange at an early stage so that the Company can ascertain whether and to what extent the provisions of the Listing Rules apply in case of doubt.
15. The Financial Controller shall provide the list of connected persons to the person in charge of each operating unit and inform them prior to entering into any

transaction with any of the connected persons shown in the list, including details of the nature of the transaction and the consideration thereof, and to enter only after receiving consent from the Financial Controller.

16. The Financial Controller, being the responsible person of the Company for compliance of the Listing Rules shall have full autonomy to implement the procedures set out in this Appendix. The Financial controller shall be accountable to the board of directors of the Company (the “**Board**”) on his work in relation to connected transactions.
17. The lists of transactions maintained under paragraph 14 above shall be checked by the Accountant of the Company (the “**Accountant**”) on a monthly basis and report to the Financial Controller to monitor the transactions for each relevant connected person to be aggregated under the Listing Rules. If the aggregate amount of any continuing connected transactions for any connected person on a rolling 12 month basis is close to HK\$10,000,000 and any percentage ratios (except the profits ratio) is close to 5%, a warning signal must be posted to all operating units of the Group for any new transaction with the relevant connected person and instructing them not to enter into any such new transactions unless with the written consent of the Accountant. The Accountant shall also report any transaction which is equal to HK\$1,00,000 or more to the Financial Controller who shall then check whether any percentage ratios (except the profits ratio) is equal to 5% or more so as to ensure compliance with the reporting and announcement requirements and/or independent shareholders’ approval requirements under the Listing Rules.
18. The information referred to in paragraph 17 above shall be checked on a monthly basis to ensure that the Company complies with the provisions of the Listing Rules.
19. In compliance with the Company’s general obligation of disclosure under the Listing Rules, when the Company considers that individual or a number of connected transactions is or are material for announcement, the Company shall make an announcement for the relevant connected transactions.

Evaluation Principles

20. With respect to leases of real estate by members of the Group in the ordinary course of business, transactions shall be evaluated for these purposes by reference to the value of rental for the term of the lease.
21. Financial services transactions shall be evaluated by reference to the total net consideration payable to, or value of the transaction derived by, the financial services counterparty (whether in the form of fees, spreads, interest or other charges payable to or derived by the financial services counterparty).

Additionally:

- (a) any financial services transaction of a syndicated nature, or in which any connected person participates together with another party or parties in the

same capacity as, and on substantially equivalent terms to, the other party or parties, will be considered to have been entered into on arm's length commercial terms; and

- (b) arm's length re-negotiation or extension of any arrangement between any member of the Group and any connected person shall be subject to the same considerations as the original transaction, but evaluated by reference only to the size or value of any new or additional consideration passing, and the exercise or enforcement of rights by a connected person shall not be considered a new transaction.

Waivers from Strict Compliance with Certain Provisions in Chapter 14A of the Listing Rules

- 22. The Company has applied for, and the Stock Exchange has granted/will grant, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of certain connected transactions entered into, or which may be entered into, by the Company. The Company shall comply with the conditions imposed as set out in the waiver.

Role of the Audit Committee for connected transactions

- 23. The Audit Committee shall periodically review (and the executive Directors or operating units in the Group shall periodically produce reports to the Audit Committee

Appendix II

Terms of Reference of the Audit Committee

1. MEMBERSHIP

- 1.1 Members of the Audit Committee shall be appointed by the board of directors of the Company (the “Board”).
- 1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Audit Committee must be independent non-executive directors (“INEDs”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. CHAIRMAN

- 2.1 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

3. SECRETARY

- 3.1 The company secretary shall be the secretary of the Audit Committee. In the absence of the company secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall attend the meeting of the Audit Committee and take minutes.

4. PROCEEDINGS OF THE AUDIT COMMITTEE

Unless otherwise specified hereunder, the provisions contained in the Company’s Articles of Association (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

4.1 Quorum

- 4.1.1 The quorum for meetings of the Audit Committee shall be any two members.

4.2 Frequency of meetings

- 4.2.1 The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.
- 4.2.2 The Audit Committee shall meet with the external auditors at least twice a year. The external auditors may request a meeting if they consider necessary.

4.3 Attendance at meetings

- 4.3.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication or in such other manner as the members may agree.
- 4.3.2 Other directors, company secretary (or his/her delegate(s)), relevant senior management and persons(s) invited by a Committee member and representative(s) of the external auditors shall normally attend meetings of the Audit Committee. However, at least once a year the Audit Committee shall meet with the external and internal auditors without the management being present.

4.4 Notice of meetings

- 4.4.1 A meeting of the Audit Committee may be convened by any of its members or by the company secretary.
- 4.4.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days shall be given for a regular meeting of the Audit Committee. For all other meetings of the Audit Committee, reasonable notice shall be given.
- 4.4.3 Agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

4.5 Minutes of meetings

- 4.5.1 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting.
- 4.5.2 Full minutes of the Audit Committee shall be kept by the company secretary and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

4.6 Written resolutions

- 4.6.1 Without prejudice to any requirement under the Listing Rules, written resolution may be passed and adopted by all members of the Audit Committee.

5. RESPONSIBILITIES AND AUTHORITIES OF THE AUDIT COMMITTEE

- 5.1 The responsibilities and authorities of the Audit Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules (as amended from time to time).
- 5.2 Without prejudice to any requirement under the CG Code, the duties of the Audit Committee include the following:
 - 5.2.1 Relationships with the Company's auditors
 - (a) To act as the key representative body for overseeing the Company's relation with the external auditor, and to be primarily responsible for

making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of their resignation or dismissal.

- (b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.
- (c) To obtain from the external auditor annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff.
- (d) To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

5.2.2 Review of the Company's financial information

- (e) To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.
- (f) Regarding (e) above:
 - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that

have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

5.2.3 Oversight of the Company's financial reporting system and internal control procedures

- (g) To review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems.
- (h) To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- (i) To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings.
- (j) Where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.
- (k) To review the group's financial and accounting policies and practices.
- (l) To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response.
- (m) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- (n) To report to the Board on the matters set out herein.
- (o) To consider other topics, as defined by the Board.
- (p) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

5.3 The Audit Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice if necessary.

5.4 All members of the Audit Committee shall have access to the advice and services of the company secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

6. REPORTING RESPONSIBILITIES

- 6.1 The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 6.2 Where the Board disagrees with the Audit Committee's views on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the reason(s) why the Board has taken a different view.

7. ANNUAL GENERAL MEETING

- 7.1 The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

Appendix III

Terms of Reference of the Remuneration Committee

1. MEMBERSHIP

- 1.1 Members of the Remuneration Committee shall be appointed by the board of directors of the Company (the “Board”).
- 1.2 The majority of the members of the Remuneration Committee must be independent non-executive directors (“INEDs”).

2. CHAIRMAN

- 2.1 The chairman of the Remuneration Committee shall be appointed by the Board and must be an INED.

3. SECRETARY

- 3.1 The company secretary shall be the secretary of the Remuneration Committee. In the absence of the company secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Remuneration Committee, shall attend the meeting of the Remuneration Committee and take minutes.

4. PROCEEDINGS OF THE REMUNERATION COMMITTEE

Unless otherwise specified hereunder, the provisions contained in the Company’s Articles of Association (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Remuneration Committee.

4.1 Quorum

- 4.1.1 The quorum for meetings of the Remuneration Committee shall be any two members.

4.2 Frequency of meetings

- 4.2.1 The Remuneration Committee shall hold at least one regular meeting in a year. Additional meetings of the Remuneration Committee may be held as and when required.

4.3 Attendance at meetings

- 4.3.1 Members of the Remuneration Committee may attend meetings of the Remuneration Committee either in person or through other electronic means of communication or in such other manner as the members may agree.
- 4.3.2 The other directors, company secretary (or his/her delegate(s)), Head of Human Resources and relevant senior management and persons(s) invited by a Committee member shall normally attend meetings of the Remuneration Committee.

4.4 Notice of meetings

- 4.4.1 A meeting of the Remuneration Committee may be convened by any of its members or by the company secretary.
- 4.4.2 Unless otherwise agreed by all the members of the Remuneration Committee, notice of at least 14 days shall be given for a regular meeting of the Remuneration Committee. For all other meetings of the Remuneration Committee, reasonable notice shall be given.
- 4.4.3 Agenda and accompanying supporting papers shall be sent to all members of the Remuneration Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

4.5 Minutes of meetings

- 4.5.1 Draft and final versions of minutes of Remuneration Committee meetings shall be sent to all Remuneration Committee members for their comment and records within a reasonable time after the meeting.
- 4.5.2 Full minutes of the Remuneration Committee shall be kept by the company secretary and shall be available for inspection by any member of the Remuneration Committee or the Board at any reasonable time on reasonable notice.

4.6 Written resolutions

- 4.6.1 Without prejudice to any requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), written resolution may be passed and adopted by all members of the Remuneration Committee.

5. RESPONSIBILITIES AND AUTHORITIES OF THE REMUNERATION COMMITTEE

- 5.1 The responsibilities and authorities of the Remuneration Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules (as amended from time to time).
- 5.2 The Remuneration Committee should consult the chairman of the Board and/or Chief Executive Officer about their remuneration proposals for other executive directors.
- 5.3 Without prejudice to any requirement under the CG Code, the duties of the Remuneration Committee include the following:
 - (a) To make recommendations to the Board on the Company’s policy and structure for all directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.
 - (b) To review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives.

- (c) Either:
 - (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or
 - (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

- (d) To make recommendations to the Board on the remuneration of non-executive directors.
- (e) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group.
- (f) To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.
- (g) To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and that are otherwise reasonable and appropriate.
- (h) To ensure that no director or any of his associates is involved in deciding his own remuneration.
- (i) To advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under the Listing Rules.

5.4 The Remuneration Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice if necessary.

5.5 All members of the Remuneration Committee shall have access to the advice and services of the company secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

6. REPORTING RESPONSIBILITIES

6.1 The Remuneration Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

7. ANNUAL GENERAL MEETING

- 7.1 The chairman of the Remuneration Committee or in his absence, another member of the Remuneration Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Remuneration Committee's work and responsibilities.

Appendix IV

Terms of Reference of the Nomination Committee

1. MEMBERSHIP

- 1.1 Members of the Nomination Committee shall be appointed by the board of directors of the Company (the “Board”).
- 1.2 The majority of the members of the Nomination Committee shall be independent non-executive directors (“INEDs”).

2. CHAIRMAN

- 2.1 The chairman of the Nomination Committee shall be appointed by the Board and shall either be the chairman of the Board or an INED.

3. SECRETARY

- 3.1 The company secretary shall be the secretary of the Nomination Committee. In the absence of the company secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Nomination Committee, shall attend the meeting of the Nomination Committee and take minutes.

4. PROCEEDINGS OF THE NOMINATION COMMITTEE

Unless otherwise specified hereunder, the provisions contained in the Company’s Articles of Association (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Nomination Committee.

4.1 Quorum

- 4.1.1 The quorum for meetings of the Nomination Committee shall be any two members.

4.2 Frequency of meetings

- 4.2.1 The Nomination Committee shall hold at least one regular meeting in a year. Additional meetings of the Nomination Committee may be held as and when required.

4.3 Attendance at meetings

- 4.3.1 Members of the Nomination Committee may attend meetings of the Nomination Committee either in person or through other electronic means of communication or in such other manner as the members may agree.
- 4.3.2 The other directors, company secretary (or his/her delegate(s)), Head of Human Resources and relevant senior management and persons(s) invited by a Committee member shall normally attend meetings of the Nomination Committee.

4.4 Notice of meetings

- 4.4.1 A meeting of the Nomination Committee may be convened by any of its members or by the company secretary.
- 4.4.2 Unless otherwise agreed by all the members of the Nomination Committee, notice of at least 14 days shall be given for a regular meeting of the Nomination Committee. For all other meetings of the Nomination Committee, reasonable notice shall be given.
- 4.4.3 Agenda and accompanying supporting papers shall be sent to all members of the Nomination Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

4.5 Minutes of meetings

- 4.5.1 Draft and final versions of minutes of Nomination Committee meetings shall be sent to all Nomination Committee members for their comment and records within a reasonable time after the meeting.
- 4.5.2 Full minutes of the Nomination Committee shall be kept by the company secretary and shall be available for inspection by any member of the Nomination Committee or the Board at any reasonable time on reasonable notice.

4.6 Written resolutions

- 4.6.1 Without prejudice to any requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), written resolution may be passed and adopted by all members of the Nomination Committee.

5. RESPONSIBILITIES AND AUTHORITIES OF THE NOMINATION COMMITTEE

- 5.1 The responsibilities and authorities of the Nomination Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules (as amended from time to time).
- 5.2 Without prejudice to any requirement under the CG Code, the duties of the Nomination Committee include the following:
 - (a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy.
 - (b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
 - (c) To assess the independence of INEDs.
 - (d) To make recommendations to the Board on the appointment or

re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive.

- 5.3 The Nomination Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice if necessary.
- 5.4 All members of the Nomination Committee shall have access to the advice and services of the company secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

6. REPORTING RESPONSIBILITIES

- 6.1 The Nomination Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

7. ANNUAL GENERAL MEETING

- 7.1 The chairman of the Nomination Committee or in his absence, another member of the Nomination Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Nomination Committee's work and responsibilities.

Appendix V

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS – CORPORATE GOVERNANCE FUNCTIONS

1. PRINCIPLES

- 1.1 The Company is committed to achieving high standards of corporate governance to safeguard, uphold and maximize the interests of shareholders and to enhance corporate value and accountability.

2. CORPORATE GOVERNANCE POLICY AND PRACTICES

- 2.1 The Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “CG Code”) (the “Listing Rules”) sets out the principles of good corporate governance and two levels of recommendations on corporate governance practices:

- Code provisions: These are not mandatory rules but issuers are expected to comply with them. If issuers choose not to comply with the code provisions, they must give considered reasons for any deviation in their annual and interim reports.
- Recommended best practices: These are not mandatory rules and are for guidance only. Issuers are encouraged to comply with them.

- 2.2 The Company shall use its best endeavours to apply the corporate governance principles and, to the extent applicable, comply with the code provisions as set out in the CG Code (as amended from time to time).

3. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

- 3.1 The board of directors of the Company (the “Board”) is collectively responsible for the management and operations of the Company.
- 3.2 The Board shall be responsible for the leadership and control of the Company, and for promoting the Company’s success by directing and supervising its affairs.
- 3.3 The Board should take decisions objectively in the best interests of the Company.
- 3.4 It is the responsibility of the Board to determine the appropriate corporate governance policies and practices applicable to the Company’s circumstances and

to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

3.5 The Board may discharge its corporate governance duties by the following arrangements:

- To establish a committee or committees with specific terms of reference to carry out different governance oversight roles or to delegate the duties to the existing committee(s).
- To delegate certain management and administration functions to the management with clear directions.

4. CORPORATE GOVERNANCE DUTIES

4.1 The Board should be responsible for the following corporate governance duties:

- a. To develop, review and update the Company's policies and practices on corporate governance;
- b. To review and monitor the training and continuous professional development of directors and senior management especially in respect of promoting directors' knowledge of the Company's business and governance policies and their responsibilities as directors of the Company;
- c. To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- d. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- e. To prepare and ensure that the Company includes a corporate governance report ("Corporate Governance Report") in its summary financial reports (if any) and annual reports in accordance with the disclosure requirements under the Listing Rules and the CG Code.
- f. To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- g. To develop procedures for and conduct the review of the performance of the Board (including its committees and individual members)

annually;

- h. To develop the shareholders communication policy, review and monitor its implementation to ensure its effectiveness; and
- i. To perform such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

Appendix VI

BOARD DIVERSITY POLICY

1. PURPOSE

- 1.1 This Policy aims to set out the approach to achieve diversity on the Company's board of directors ("Board").

2. VISION

- 2.1 The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

3. POLICY STATEMENT

- 3.1 With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

4. MEASURABLE OBJECTIVES

- 4.1 Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually.

5. MONITORING AND REPORTING

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

6. REVIEW OF THIS POLICY

- 6.1 The Board will review this Policy, as appropriate, to ensure the effectiveness of this Policy.

7. DISCLOSURE OF THIS POLICY

- 7.1 This Policy will be published on the Company's website in the Corporate

Governance Manual for public information.

- 7.2 A summary of this Policy together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual Corporate Governance Report.