CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance. The Board believes that good corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders’ interests.

The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). During the year, the Company has complied with all applicable provisions of CG Code with deviation from code provision A.2.1 as set out below under the heading “Chairman and chief executive officer”.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry with all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2015.

BOARD OF DIRECTORS

As at 31 December 2015, the Board comprises three executive Directors, namely, Mr. Qu Jiguang (Chairman), Mr. Wang Xianjun and Mr. Su Xuejun, and three independent non-executive Directors, namely Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai.

The Board is responsible for leadership and control of the Company and oversees the Group’s businesses, strategic direction and performance. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board’s decisions.

The Board has delegated the day-to-day responsibility for the management of the Group to the management. The Board has given clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the Directors are shown under the section headed “Biographical Details of Directors and Senior Management”. There are sufficient numbers of independent non-executive Directors in the Company, among which, Mr. Chow Kwok Wai is a certified public accountant and Mr. Leung Chong Shun is a qualified solicitor in Hong Kong.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers them to be independent.
Appropriate directors’ and officers’ liability insurance has been arranged for the Directors and Officers of the Company.

There are no financial, business, family and other material or relevant relationships among members of the Board.

During the year ended 31 December 2015, a total of four board meetings, one annual general meeting (“AGM”) and one extraordinary general meeting (“EGM”) were held and the attendance of each Director was as follows:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Number of meetings attended/held</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Board meetings</td>
</tr>
<tr>
<td>Executive Directors</td>
<td></td>
</tr>
<tr>
<td>Mr. Qu Jiguang (Chairman)</td>
<td>4/4</td>
</tr>
<tr>
<td>Mr. Wang Xianjun</td>
<td>4/4</td>
</tr>
<tr>
<td>Mr. Su Xuejun</td>
<td>4/4</td>
</tr>
<tr>
<td>Independent non-executive Directors</td>
<td></td>
</tr>
<tr>
<td>Mr. Wang Yibing</td>
<td>4/4</td>
</tr>
<tr>
<td>Mr. Leung Chong Shun</td>
<td>4/4</td>
</tr>
<tr>
<td>Mr. Chow Kwok Wai</td>
<td>4/4</td>
</tr>
</tbody>
</table>

Notice of at least 14 days was given of a regular board meeting. For all other board meetings, reasonable notice will be given. All Directors were given an opportunity to contact the Company Secretary to include matters in the agenda for regular board meeting. Agendas and accompanying board papers were sent to all Directors at reasonable time before the intended date of meetings.

Minutes of board meetings and meetings of board committee were kept by Company Secretary and such minutes are open for inspection at reasonable time and on reasonable notice by any Director. Such minutes were recorded in sufficient detail the matters considered by the board and decisions reached. Draft and final versions of such minutes were sent to all directors for their comment and record respectively within a reasonable time after the board meeting was held.

All directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed. The Company has a procedure to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company’s expense.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be discussed by a Board meeting actually held. Independent non-executive Directors who have no material interest in the transaction shall be present at such Board meeting.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board appointed Mr. Qu Jiguang as the Chairman, who was responsible for the leadership and effective running of the Board. Mr. Qu Jiguang has also assumed the role as the chief executive officer of the Company, who was delegated with the responsibilities to lead the management implementing the business strategies of the Group. The Company believes that vesting both roles in Mr. Qu Jiguang will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with members of the Board, the Company believes that there is adequate balance of power and authority in place.

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

All Directors including independent non-executive Directors are appointed for a specific term which may be extended as each Director and the Company may agree. The Directors appointed as an addition to the Board shall be subject to re-election by the shareholders at the first general meeting after their appointment.

Also, at each annual general meeting, one-third of the Directors including independent non-executive Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that each Director shall be subject to retirement at least once every three years.

TRAINING FOR DIRECTORS

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to directors will be arranged whenever necessary. A record of the training are kept and updated by the Company Secretary of the Company.

During the year, all directors namely Mr. Qu Jiguang, Mr. Wang Xianjun, Mr. Su Xuejun, Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai have complied with the code provision A.6.5 of the CG Code through participating in continuous professional development in one or more of the following manners:

1. reading materials or attending seminars in relation to corporate governance and regulatory requirements;

2. attending seminars/courses/conferences to develop professional skills and knowledge; and

3. site visit.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider setting measurable objectives to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Nomination Committee will review the policy from time to time to ensure its continued effectiveness.
NOMINATION COMMITTEE

The Board has established the Nomination Committee. The Nomination Committee is chaired by Mr. Wang Yibing and with committee members of Mr. Leung Chong Shun and Mr. Chow Kwok Wai, all of them being independent non-executive Directors. The terms of reference of the Nomination Committee are available at the Company’s website and the website of The Stock Exchange of Hong Kong Limited.

The principal roles and functions of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board, identifying candidates and/or making recommendations to the Board on candidates nominated for directorships taking into account the candidates’ qualification, knowledge and experience in the relevant areas.

Meeting of the Nomination Committee shall be held at least once a year. One meeting was held during the year ended 31 December 2015. Issues including the structure, size and composition of the Board were discussed and no change or nomination was recommended to the Board. The attendance of each member was as follows:

<table>
<thead>
<tr>
<th>Name of committee members</th>
<th>Number of meetings attended/held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Wang Yibing</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr. Leung Chong Shun</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr. Chow Kwok Wai</td>
<td>1/1</td>
</tr>
</tbody>
</table>

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee, chaired by Mr. Leung Chong Shun and with committee members of Mr. Wang Yibing and Mr. Chow Kwok Wai, all of them being independent non-executive Directors. The terms of reference of the Remuneration Committee are available at the Company’s website and the website of The Stock Exchange of Hong Kong Limited.

Remuneration Committee is responsible for formulation, review and recommending to the Board of the remuneration policy of executive Directors and senior management. The overriding objective of the remuneration policy is to provide the packages needed to attract, retain and motivate executive Directors and senior management of the quality required to run the Company successfully, without paying more than necessary.

Other roles and functions of the Remuneration Committee include consulting the Chairman and/or Chief Executive Officer about their remuneration proposals for other executive Directors and senior management, reviewing and approving remuneration proposals with reference to the Board’s corporate goals and objectives, prevailing market practice, duties and responsibilities of the individual executive Director or senior management and his/her contribution to the Group, making recommendations to the Board on the remuneration packages with adoption of the approach under B.1.2(c)(ii) of CG code and approving the terms of executive Directors’ service agreements.
REMUNERATION COMMITTEE (Continued)

Meeting of the Remuneration Committee shall be held at least once a year. One meetings had been held during the year ended 31 December 2015. During the meeting, remuneration paid to the Directors and review of remuneration policy have been discussed and recommended to the Board. The attendance of each member was as follows:

<table>
<thead>
<tr>
<th>Name of committee members</th>
<th>Number of meetings attended/held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Leung Chong Shun</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr. Wang Yibing</td>
<td>1/1</td>
</tr>
<tr>
<td>Mr. Chow Kwok Wai</td>
<td>1/1</td>
</tr>
</tbody>
</table>

The objective of remunerating non-executive Directors is to ensure that they are remunerated sufficiently but not excessively for their efforts and time dedicated to the Company. Every of the non-executive Directors has entered into a service agreement with the Company for an initial term of 3 years commencing from the appointment date. The annual emolument is HK$180,000 for each of the independent non-executive Directors, namely Mr. Wang Yibing, Mr. Leung Chong Shun and Mr. Chow Kwok Wai.

Remuneration packages of executive Directors comprise base salary, performance bonus and fringe benefits including the provident fund, medical insurance and other miscellaneous benefits. All the Directors are entitled to participate in the Share Option Scheme. The emolument payable to Directors depends on their respective contractual terms under the service agreement with the Company, and as recommended by the Remuneration Committee. Details of the remuneration of Directors for the year ended 31 December 2015 are set out in the page 116 of the Annual Report.

AUDIT COMMITTEE

The Board has established the Audit Committee and its terms of reference are available at the Company’s website and the website of The Stock Exchange of Hong Kong Limited. In compliance with Rule 3.21 of the Listing Rules, the Audit Committee comprises three independent non-executive Directors. The Audit Committee is chaired by Mr. Chow Kwok Wai who is a certificated public accountant and the committee members are Mr. Wang Yibing and Mr. Leung Chong Shun. No member of the Audit Committee is a member of the former or the existing auditor of the Company.

The major functions of the Audit Committee are to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the external audit and internal control review processes, and to review the Company’s policies and practices on corporate governance.

According to its terms of reference, meetings of the Audit Committee shall be held at least twice a year. Two meetings had been held during the year ended 31 December 2015. The attendance of each member was as follows:

<table>
<thead>
<tr>
<th>Name of committee members</th>
<th>Number of meetings attended/held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Chow Kwok Wai</td>
<td>2/2</td>
</tr>
<tr>
<td>Mr. Leung Chong Shun</td>
<td>2/2</td>
</tr>
<tr>
<td>Mr. Wang Yibing</td>
<td>2/2</td>
</tr>
</tbody>
</table>
AUDIT COMMITTEE (Continued)

During the year, in performing its duties in accordance with its terms of reference and under the CG code, the work performed by the Audit Committee included:

(a) review the financial information of the Company and its subsidiaries, including those contained in the Annual Report and the Interim Report;

(b) discuss the audit approach and audit issues with the external auditor at least twice a year;

(c) recommend to the Board, for the approval by shareholders, of the re-appointment of the external auditor and approval of its remuneration; and

(d) oversee the Company’s financial reporting system and internal control procedures.

ACCOUNTABILITY AND AUDIT

The Board presents a balanced, clear, and comprehensible assessment of the Company’s performance, position, and prospects. The management provides such explanation and information to the Board and reports regularly to the Board and financial position of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in pages 34 to 35 of this Annual Report under the section headed “Independent Auditor’s Report”) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group’s ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor’s Report.

The Board is responsible for reviewing the effectiveness of the internal control system of the Group which covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is committed to implementing an effective and sound internal control system to provide reasonable assurance against material misstatement or loss and to safeguard shareholders’ interests and the Group’s assets. During the year, a review of the effectiveness of the internal control system of the Group which covered all material controls was conducted. The report and findings of the review are taken into consideration by the Audit Committee in making its recommendation to the Board for approval of the audited consolidated financial statements of the Group for the year.

AUDITOR’S REMUNERATION

The fees paid and payable to the Company’s auditor, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2015 amounted to approximately HK$1,920,000 and HK$798,000 respectively.

COMPANY SECRETARY

All directors have access to the advice and services of the Company Secretary who is a full time employee of the Company. During the year, the Company Secretary had taken no less than 15 hours of relevant professional training requirement.
SHAREHOLDERS’ RIGHTS

(1) Procedures for shareholders to convene an EGM

In accordance with the Company’s Article 58, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionists and deposit it to the Board or the Company Secretary at the Company’s principal place of business in Hong Kong at Rooms 4902-03, 49th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionists concerned at the EGM varies according to the nature of the proposal, as follows:

– At least 14 clear days’ notice in writing if the proposal constitutes an ordinary resolution of the Company;
– At least 21 clear days’ notice in writing if calling for an AGM or the proposal constitutes a special resolution of the Company in the EGM.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

(2) Procedures for putting forward proposals at shareholders’ meeting

Shareholders can submit a written requisition to move a resolution at the EGM. The requirements and procedures are set out above.

(3) Shareholders’ enquiries

Shareholders should direct their questions about their shareholdings to the Company’s Hong Kong branch share registrar. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company’s principal place of business in Hong Kong.

INVESTOR RELATIONS

The Company uses a number of channels to communicate with its shareholders, investors and other stakeholders. These include the AGM, annual and interim reports and quarterly statements, announcements, circulars to shareholders and the Company’s website www.ssygroup.com.hk.

During the year, there was no change in the Company’s constitutional documents.