

Tongda Group Holdings Limited

Policy and Procedures on Disclosure of Inside Information

1. Introduction

On 1 January 2013, amendments to the Securities and Futures Ordinance ("**SFO**") (Cap. 571) come into effect to provide for a new Part XIVA under the SFO giving statutory backing to one of the most important principles in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The provisions under Part XIVA impose a general obligation of disclosure of price sensitive, or "inside" information by listed corporations.

In order to establishing and maintaining an effective internal control and reporting system in relation to inside information, Tongda Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") adopts this Policy and Procedures on Disclosure of Inside Information (the "**Procedures**") . The Procedures is to ensure that any potential price sensitive or inside information can be promptly identified, assessed and escalated for the attention of the Board of directors of the Company (the "**Board**") to decide about the need for disclosure pursuant to Part XIVA of SFO All staffs of the Group must observe the Procedures.

Part A – Summary of Key Provisions under Part XIVA of the SFO

2. Meaning of "Inside Information"

2.1 Statutory Definition

Section 307A(1) of the SFO states that "**inside information**", in relation to a listed corporation, means specific information that :-

(a) is about :-

(i) the corporation;

(ii) a shareholder or officer of the corporation; or

(iii) the listed securities of the corporation or their derivatives; and

(b) is not generally known to the persons who are accustomed or would be likely to deal in the listed securities of the corporation but would if generally known to them be likely to

materially affect the price of the listed securities.

2.2 Three Key Elements

There are three key elements comprised in the concept of inside information. They are :-

- (a) the information about the particular corporation must be specific;
- (b) the information must not be generally known to that segment of the market which deals or which would likely deal in the corporation's securities; and
- (c) the information would, if so known be likely to have a material effect on the price of the corporation's securities.

2.2.1 Inside information must be specific information. Specific information is information which has the following characteristics –

- (a) The information is capable of being identified, defined and unequivocally expressed.
- (b) The information may not be precise.
- (c) Information on a transaction contemplated or at a preliminary state of negotiation can be specific information but vague hopes and wishful thinking may not be specific information.

(For Example : the information of a Company under financial crisis will amount to specific information)

2.2.2 Inside information must be information that is not generally known :

- (a) Inside information is information which is known only to a few and not generally known to the market
- (b) rumours, speculation or market expectation cannot be equated with information which is generally known to the market
- (c) media reports, analyst research reports, electronic subscription databases or market commentary which are not generally known to the market

- (d) Notwithstanding the above, a piece of information is regarded as generally known if it consists of readily observable matter such as general external developments e.g. changes in commodity prices, foreign exchange rates and interest rates, outbreak of pandemic diseases and occurrence of natural disasters or general public information

2.2.3 Inside information is information that is likely to have a material effect on the price of the listed securities

- (a) Corporations with potential inside information need to assess promptly whether or not the information is likely to have a material price effect. It would not be sufficient to meet the test of "likely to have a material price effect" if the information is likely to cause a mere fluctuation or slight change in price. For information to constitute inside information, there must be likelihood that the information would cause a change in the price of sufficient degree to amount to a material change.
- (b) The test of whether the information is likely to materially affect the price is a hypothetical one in that it has to be applied at the time the information becomes available. The exercise in determining how the general investor would behave if he was in possession of that piece of information has necessarily to be an assessment at the time the disclosure was to take place.
- (c) In determining whether a material effect is likely to occur, the following factors should be taken into consideration :-
 - (i) the anticipated magnitude of the event or the set of circumstances in question in the context of the totality of the corporation's activity;
 - (ii) the relevance of the information as regards the main determinants of the price of the listed securities;
 - (iii) the reliability of the source;
 - (iv) market variables that affect the price of the listed securities in

question (These variables could include prices, returns, volatilities, liquidity, price relationships among securities, volume, supply, demand, etc.).

3. Common Examples of Possible Inside Information

There are many events and circumstances which may affect the price of the corporation's securities, the common examples of such events or circumstances where the Company should consider a disclosure obligation arises can be found in [Appendix 1](#). Please note that the common examples of possible inside information as shown in Appendix 1 are not decisive and exhaustive.

4. When and how should inside information be disclosed?

4.1 Time for inside information be disclosed – “as soon as reasonably practicable”

The Company must disclose any inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in section 307D of the SFO. For this purpose, “as soon as reasonably practicable” means that the corporation should immediately take all steps that are necessary in the circumstances to disclose the information to the public. For example, if a corporation faces an event that might significantly affect its business and operations, the necessary steps which the corporation should immediately take prior to the issue of a public announcement may include ascertaining sufficient details, internal assessment of the matter and its likely impact, seeking professional advice where required and verification of the facts.

4.2 Responsibility for compliance and management controls

Although the disclosure obligation rests with the corporation, the corporation is a legal entity which cannot act on its own. The corporation can only act through its “controlling mind”, which encompasses its officers. Therefore, under section 307B(2), the corporation is considered to have knowledge of the inside information when :-

- (a) one or more of its officers knows or ought reasonably to have known that information in the course of performing functions as officers of the corporation; and
- (b) a reasonable person, acting as an officer of the corporation, would consider that the information is inside information in relation to the corporation.

According to Part 1 Schedule 1 of the SFO, an “officer”, in relation to a corporation, means “a **director, manager or secretary** of, or any other person involved in the management of, the corporation” (“**Officers**”).

It is ultimately the responsibility of the corporation’s officers to ensure that the corporation complies with the disclosure obligation. Officers are obliged to take all reasonable measures to ensure proper safeguards exist to prevent the corporation from breaching the statutory disclosure requirement, which would include the creation and maintenance of appropriate internal control and reporting systems. If a breach on the part of the corporation is attributable to the failure to take all reasonable measures to ensure that proper safeguards exist by, or to any intentional, reckless or negligent conduct of, any officers, the officers concerned would also be liable (see **s.307G(2)(a) of the SFO**).

The meaning of “intentional”, “reckless” and “negligent” can be summarised as follows: –

- (a) The requirement for conduct to be intentional means that there must be evidence that the officer intended the corporation not to disclose information that was required to be disclosed under a disclosure requirement.
- (b) The requirement for conduct to be reckless means that the officer was aware that there was a risk that by not disclosing the information the corporation may breach a disclosure requirement and it was in the circumstances known to him unreasonable to take the risk.

- (c) The requirement for conduct to be negligent means the officer failed to exercise such care, skill or foresight as a reasonable officer in his situation would exercise to ensure or cause the corporation to comply with a disclosure requirement.

If a listed corporation, any director, officer and employee is in violation of any regulations, they are likely to be (but not limited to) the following sanctions:

- (a) a disqualification order: ban related persons to become or remain as a listed corporation or to become a director or liquidator of another specified corporation, or to become or remain the receiver or manager of the corporation's property or business, or to prevent any involvement in the management of such corporation for a period of not exceeding 5 years;
- (b) cold shoulder order: deprive related persons to directly or indirectly deal with any securities, futures contracts, leveraged foreign exchange contracts, interest, or any securities, futures contracts, leveraged foreign exchange contracts, or collective investment scheme, for a period of not exceeding 5 years;
- (c) cease and desist order;
- (d) proposed order: propose the listed corporation to take disciplinary action against those who violate the rules;
- (e) training command; and
- (f) punishable by up to HK\$ 8 million regulatory fine.

Any person in violation of the disclosure requirements may also be liable by way of damages, to compensate another person for pecuniary losses suffered due to the contravention.

4.3 How should inside information be disclosed

4.3.1 A disclosure must be made in a manner that can provide for equal, timely and effective access by the public to the inside information disclosed (see **s.307B of the SFO**). Information must not be selectively disclosed (such as to analysts, media or

certain customers) prior to being announced. Disclosure by way of the electronic publication system operated by the Stock Exchange will satisfy such requirement (see **s.307C(2) of the SFO**); and

4.3.2 the information disclosed shall not be false or misleading as to a material fact, or shall not be false or misleading through the omission of a material fact (see **s.307B(3)(a) of the SFO**).

Before the information is fully disclosed to the public, the corporation should ensure that the information is kept strictly confidential. Where the corporation believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, it should immediately disclose the information to the public.

5. Safe Harbours

The SFO provides for Safe Harbours which permit the corporation to withhold disclosure of inside information under specified circumstances. Section 307D of the SFO sets out the Safe Harbours :-

(1) *A listed corporation is not required to disclose any inside information under section 307B if and so long as the disclosure is prohibited under, or would constitute a contravention of a restriction imposed by, an enactment or an order of a court.*

(2) *A listed corporation is not required to disclose any inside information under section 307B if and so long as –*

(a) the corporation takes reasonable precautions for preserving the confidentiality of the information;

(b) the confidentiality of the information is preserved; and

(c) one or more of the following applies –

(i) the information concerns an incomplete proposal or negotiation;

(ii) the information is a trade secret;

(iii) the information concerns the provision of liquidity support from the

*Exchange Fund established by the Exchange Fund Ordinance (Cap. 66)
or from an institution which performs the functions of a central bank
(including such an institution of a place outside Hong Kong) to the
corporation or, if the corporation is a member of a group of companies,
to any other member of the group;*

- (iv) *the disclosure is waived by the Commission under section 307E(1), and any condition imposed under section 307E(2) in relation to the waiver is complied with.*

If a corporation or any of its officers is subject to an investigation by Independent Commission Against Corruption (“the ICAC”) and such investigation constitutes inside information, disclosure would not be required to the extent that it is prohibited statutorily, as under section 30 of the Prevention of Bribery Ordinance (Cap. 201), it is unlawful for a person to disclose details of an investigation of the ICAC, except for disclosure matters which are carved out from that prohibition.

The corporation needs to ensure that knowledge of information is restricted to those who need to have access to it and that recipients of the information are aware that the information is confidential and recognise their obligations to maintain the information confidential. Where the information has not been kept confidential or there has been a leak, whether intentionally or inadvertently, the conditions under Section 307D(2) will not be fulfilled and any Safe Harbour will no longer apply.

The requirement to preserve confidentiality under subsection 307D(2)(a) is not breached if information is given to another person who needs the information to fulfil the person’s duties and functions in relation to the corporation and provided that the person owes the corporation a duty of confidentiality. The information should be given on the basis that restricts its use to the stated purpose and the recipient should recognise the resulting obligations (see **Section 307D(3) of the SFO**).

The above is extracted from the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission in June 2012 (the “Guidelines”).

A copy of the Guidelines is attached as Appendix 2.

Part B – Reporting System and Internal Controls

6.1 Supervision and Reporting system

- (a) The Board shall be ultimately responsible for ensuring that adequate and effective systems are present to maintain compliance with the continuing disclosure obligations of the Company.

(b) Establishment of Inside Information Team

- (i) The Group has established the Inside Information Team (the “Inside Information Team”) to identify, assess and escalate potentially inside information to the attention of the Board.
- (ii) The Board shall delegate the routine oversight of the Group’s disclosure obligations to the Inside Information Team, which is responsible for:
 - (a) ensuring proper systems and controls are in place to collect, review and verify any potential inside information;
 - (b) reviewing potentially inside information, making recommendation to the Board on which information must be disclosed and whether the Company may delay publication of inside information;
 - (c) vetting and clearing announcements or other public disclosures;
 - (d) deciding whether other action, such as the seeking of suspension from listing pending clarification of uncertainties, may be necessary;
 - (e) keeping proper records of all the information received and decisions made;
 - (f) where necessary, engaging financial, legal or other advisers to assist the Inside Information Team to carry out its duties;
 - (g) where necessary, appointing and removing divisional disclosure officers, when it thinks fit;
 - (h) ensuring that employees are educated on the policy and internal reporting process; and
 - (i) supervising the Company’s compliance with continuing disclosure obligations.
- (iii) The Inside Information Team comprises of an Executive Director, the Chief Financial Officer, representative from the Investor Relations Department and Company Secretary.

6.2 Reporting channel

- (a) As soon as employees become aware of actual or potentially inside information (“Information”), they must report to their respective divisional disclosure officers, if any, or the Inside Information Team (the usual channel is through the Company Secretary) . Employees shall use the Inside Information Report Form as set out in Appendix 3.
- (b) Divisional disclosure officers, if any, shall then conduct preliminary assessment of the Information received. In case of doubt, the matter should be referred to the Inside Information Team for determination.
- (c) Upon notification of Information, the Inside Information Team reviews and decides whether the Information must be disclosed, as well as when and how the Information shall be released and gives recommendation to the Board.
- (d) The Board reviews the recommendation of the Inside Information Team and decides (i) whether the Information should be disclosed; (ii) whether any Safe Harbour can be invoked pursuant to s.307D of the SFO; and/or (iii) any other appropriate actions.
- (e) During evaluation of and before disclosure of the Information, the Board and the Inside Information Team will maintain confidentiality of the Information and restrict the access to the Information to a limited number of employees on a need-to-know basis. All such employees must ensure that the Information is not communicated to any external parties unless with approval from the Inside Information Team. Email communication shall be password coded and marked “confidential”. All employees shall not respond to market speculation and rumours unless authorized.
- (f) Minutes of the Board and/or Inside Information Team on the assessment of the information (including reasons for relying on the Safe Harbour and the steps taken in preserving and monitoring confidentiality) shall be kept by the Company Secretary and shall be made available for inspection by any member of the Board and/or Inside Information Team if required.

(g) The diagram showing the reporting channel is as follows:-



(h) Employees are also required to report to the Company Secretary Department of their personal dealing in (i) shares of the Company or any company in the Group; The Information will be escalated to the Inside Information Team.

6.3 Regular Financial Reporting

The Group has established regular financial reporting procedures whereby the Finance Department is responsible for compiling, identifying and escalating financial and operating data every month. Management and Inside Information Team will be provided with a monthly finance update on such data and will evaluate if any such data will constitute inside information.

6.4 Preservation of Confidentiality

- (a) The Group has strict prohibition on unauthorised use or disclosure of confidential information. Such prohibition is included in the employment agreements as well as the Group's Employee Handbook which applies to all employees.
- (b) Template of Confidentiality Agreement is made available for use by Officers who enter into negotiations on potential transactions on behalf of the Company or any member of the Group with third parties. Third parties will be required to undertake to keep the potential transactions confidential.

6.5 Raising awareness of employees

Officers/relevant employees are given access to a sensitivity list identifying factors or

Developments which are likely to give rise to the emergence of inside information (Appendix 4) and trainings will be provided to them on a regular basis to ensure that they are familiar with the Procedures as well as their relevant disclosure duties and obligations.

6.6 *Exceptions - Safe Harbours*

A decision on whether certain information is inside information and whether the safe harbours may apply will be made by the Board based on recommendation by the Inside Information Team.

7 Dissemination of inside information

7.1 *Electronic publication*

Inside information and any other information which is required to be disclosed pursuant to the Group's statutory disclosure obligations will be announced via the electronic publication system operated by the Stock Exchange and then published on the Group's website within one hour following announcement on the Stock Exchange.

7.2 *Designated Spokesperson for the Group*

The Group has designated officers with appropriate skills and training of the Investor Relations Department (as the case may be) to speak on behalf of the Group when communicating with media, analysts or investors. Such delegates will be decided by the head of the relevant department or management on a case-by-case basis depending on the nature of the communication.

7.3 *Responsibility for coordinating communications to the investment community*

- (a) The Investor Relations Department is responsible for coordinating all communications with shareholders/investors, analysts and other members of the investment community.
- (b) The Investor Relations Department will work closely with the Inside Information Team to ensure that any communications in (a) above does not contain inside information. The Investor Relations Department will record the briefings and discussions with investors/analysts. Such record will be reviewed by the head of Investor Relations Department afterwards to check whether any inside information has been inadvertently

released.

- (c) The Investor Relations Department will prepare the presentation materials (if any) to be released at briefings.
- (d) Any employees who receive enquiries from the investment community should refer the enquiry to the Investor Relations Department.

7.4 Responsibility for coordinating communications to the media

- (a) The Investor Relations Department is responsible for coordinating all communications with reporters, journalists and other media.
- (b) The Investor Relations Department will work closely with the Inside Information Team to ensure that any communications in (a) above does not contain inside information. The Investor Relations Department will record the briefings and discussions with media. Such record will be reviewed by the head of the Investor Relations Department afterwards to check whether any inside information has been inadvertently released.
- (c) The Investor Relations Department will prepare the presentation materials (if any) to be released at media briefings.
- (d) Any employees who receive media enquiries should refer the enquiry to the Investors Relations Department.

7.5 (a) Black out period

During the “black out period”, there should be no communication with analysts, investors, market professionals or the media regarding the Company’s business, except where the communications are limited to responding to enquiries about publicly available or non-inside information.

(b) Unintentional selective disclosure

Any employee who becomes aware of the disclosure of any non-public inside information should notify the Inside Information Team immediately. Inside Information Team will promptly review the matter and if it is determined that unintentional selective disclosure has occurred, it will report to the Board and will promptly issue an announcement to

provide full disclosure.

8. Review and queries

8.1 To ensure that the existing Procedures are up to date, the Company will review the Procedures from time to time having regard to the regulatory requirements and the expectations of its shareholders.

8.2 The Procedures will be sent out internally and made available on the website of the Company for view by employees, media and other stakeholders.

8.3 Comments, questions or queries regarding the Procedures may be addressed to the Company's Company Secretary at Room 1201-1203, 12/F, Shui On Center, 6-8 Harbour Road, Wanchai, Hong Kong or by e-mail to ir@tongda.com.hk.

Tongda Group Holdings Limited

Board of Directors

Adopted in November 2014

Appendix 1

Common examples of events or circumstances where the Group should consider whether a disclosure obligation arises

1. Changes in performance, or the expectation of the performance, of the business;
2. Changes in financial condition, e.g. cashflow crisis, credit crunch;
3. Changes in control and control agreements;
4. Changes in directors;
5. Changes in directors' service contracts;
6. Changes in auditors or any other information related to the auditors' activity;
7. Changes in the share capital, e.g. new share placing, bonus issue, rights issue, share split, share consolidation and capital reduction;
8. Issue of debt securities, convertible instruments, options or warrants to acquire or subscribe for securities;
9. Takeovers and mergers (the Group will also need to comply with the Takeovers Codes that include specific disclosure obligations);
10. Purchase or disposal of equity interests or other major assets or business operations;
11. Formation of a joint venture;
12. Restructurings, reorganizations and spin-offs that have an effect on the Group's assets, liabilities, financial position or profits and losses;
13. Decisions concerning buy-back programs or transactions in other listed financial instruments;
14. Changes to the memorandum of association and bye-laws of the Group;
15. Filing of winding up petitions, the issuing of winding up orders or the appointment of

provisional receivers or liquidators;

16. Legal disputes and proceedings;

17. Revocation or cancellation of credit lines by one or more banks;

18. Changes in value of assets (including advances, loans, debts or other forms of financial assistance);

19. Insolvency of relevant debtors;

20. Reduction of real properties' values;

21. Physical destruction of uninsured goods;

22. New licenses, patents, registered trademarks;

23. Decrease or increase in value of financial instruments in portfolio which include financial assets or liabilities arising from futures contracts, derivatives, warrants, swaps protective hedges, credit default swaps;

24. Decrease in value of patents or rights or intangible assets due to market innovation;

25. Receiving acquisition bids for relevant assets;

26. Innovative products or processes;

27. Changes in expected earnings or losses;

28. Orders received from customers, their cancellation or important changes;

29. Withdrawal from or entry into new core business areas;

30. Changes in the investment policy;

31. Changes in the accounting policy;

32. Ex-dividend date, changes in dividend payment date and amount of dividend; changes in

dividend policy;

33. Pledge of the Group's shares by controlling shareholders; or

34. Changes in a matter which was the subject of a previous announcement.

Appendix 2

Guidelines on Disclosure of Inside Information (June 2012)

Appendix 3

STRICTLY CONFIDENTIAL

Tongda Group Holdings Limited (“Company”)

Inside Information Report Form

Employee’s Particulars

Name:

Telephone No.:

Staff No.:

E-mail:

Content

(i) A general description of the matter:

(ii) Relevant date of the event or transaction:

(iii) Details of the parties involved:

(iv) Status of the matter (e.g. final /negotiations still in progress / preliminary negotiations only):

(v) Estimatevalue of the transaction:

(vi) Evaluated effect on the Company’s finance or operations:

(vii) Names of any staff members, in-house or external advisers involved in the event or transaction:

Please provide the supporting documents or evidence to substantiate your report (if any) to facilitating review of the information.

The employee understands that all personal data submitted by him/her will only be used for purposes which are directly related to the review of the actual or potential inside information, and may be transferred to parties who will be involved in (i) the review, processing and/or investigation of the actual or potential inside information; and/or (ii) compliance of the disclosure requirements applicable to the Company. The employee shall have the right to request access to and correction of his/her personal data submitted in this report. The employee hereby declares that all information given herein is made voluntarily and true to the best of his/her knowledge, and he/she shall ensure that the information given by him/her and his/her participation shall be kept confidential.

Signature:

Date:

Appendix 4

Sensitivity list

1. Entering into transactions which are not in the ordinary course of business
2. Transactions with connected person(s)
3. Acquisition or disposal of assets which represents 5% or more of the total assets or market capitalization of the Company
4. Advance to an entity which represents 8% of the total assets of the Company
5. Financial assistance and guarantees to affiliated companies which represents 8% of the total assets of the Company
6. Pledging of shares by controlling shareholder of the Company
7. Entering into loan agreements with covenants relating to specific performance of the controlling shareholder
8. Breach of the terms of loan agreements