

The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

Our Ref: CRO20141219-039

19 December 2014

To: Main Board Listed Issuers (Attn: Authorised Representatives)
GEM Listed Issuers (Attn: Authorised Representatives)
Market practitioners

Dear Sirs,

Consultation Conclusions on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report

We have today published the Consultation Conclusions on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report (“**Consultation Conclusions**”).

The Exchange published the Consultation Paper on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report (“**Consultation Paper**”) in June 2014 to seek comments on its proposed amendments to the Corporate Governance Code and Corporate Governance Report (the “**Code**”) relating to internal controls. The consultation period closed on 31 August 2014. For this consultation, the Exchange received a total of 57 submissions from issuers, market practitioners, professional bodies, institutional investors and individuals. The consultation found there is strong support for the Exchange’s proposals.

Given the strong market support, the Exchange has adopted with minor modifications the proposals outlined in the Consultation Paper.

In summary, the main changes to the Code include:

- incorporating risk management into the Code where appropriate;
- defining the roles and responsibilities of the board and management;
- clarifying that the board has an ongoing responsibility to oversee the issuer’s risk management and internal control systems;
- upgrading to Code Provisions (“**CPs**”, i.e. subject to “comply or explain”) the recommendations (i.e. voluntary) in relation to the annual review of the effectiveness of the issuer’s risk management and internal control systems, and disclosures in the Corporate Governance Report; and
- upgrading to a CP the recommendation that issuers should have an internal audit function, and those without to review the need for one on an annual basis.

.../2

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- 2 -

The amendments to the Code will apply to accounting periods beginning on or after 1 January 2016.

The Consultation Conclusions are available on the HKEx website at:
<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201406cc.pdf> .

The amendments to the Code are available at:
http://www.hkex.com.hk/eng/rulesreg/listrules/mbrulesup/Documents/mb_rmic_1601.pdf and
http://www.hkex.com.hk/eng/rulesreg/listrules/gemrulesup/Documents/gem_rmic_1601.pdf.

Related Frequently Asked Questions are available at:
http://www.hkex.com.hk/eng/rulesreg/listrules/listrulesfaq/Documents/FAQ_30.pdf.

Yours faithfully
For and on behalf of
The Stock Exchange of Hong Kong Limited

[Signed]

David Graham
Chief Regulatory Officer and Head of Listing

香港交易及結算所有限公司
Hong Kong Exchanges and Clearing Limited