



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

Our Ref: MD20100930-016

30 September 2010

To : Main Board Listed Issuers (Attn : Authorized Representatives)
GEM Listed Issuers (Attn : Authorized Representatives)

Dear Sirs

Directors' Compliance with the Model Code

The Exchange conducts a programme to monitor dealings by directors based on their Disclosure of Interests forms. Based on our recent review of directors' dealings in the first quarter of 2010, we set out our observations of common non-compliance situations to assist directors in their compliance with the Model Code. Please circulate a copy of this letter to your directors for their information.

Model Code

The Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") sets a required standard for directors in their dealings in securities.

- The overriding principle is that a director must not deal in the issuer's securities when in possession of unpublished price sensitive information.
- The Model Code also prescribes a black out period for dealings before results announcement¹. This period includes:
 - the day on which financial results are published;
 - 60 days before publication of annual results; and
 - 30 days before publication of quarterly results and half-year results.
- "Dealings" and "securities" are defined widely under the Model Code. The former includes any acquisition, disposal or transfer of, or offer to acquire, dispose of or transfer of, or creation of pledge or security interest in, or grant of options over the securities in the issuer. The latter includes shares, options, nil-paid rights and convertible securities².

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¹ Rule A3 of Appendix 10 to Main Board Rules and GEM Rule 5.56

² Paragraph 7 of Appendix 10 to Main Board Rules and GEM Rule 5.52

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Our observations

We highlight some common non-compliance situations below:

- **Dealings on results publication day** – A number of dealings took place on results publication days. We remind directors that the Model Code prohibits dealings on the results publication day, even if they took place after the results have been published during the morning or lunch publication windows.
- **Dealings during the 60 day period before annual results publication** – A higher number of dealings took place during the first 30 days in the 60 day black out period. The current Model Code, effective since April 2009, extends the black out period to 60 days before annual results publication.

Under the current rules, issuers must notify the Exchange before the black out period commences. Once a notification is made, any subsequent postponement of the results publication would not change the commencement date of the black out period.

- **Grant of options** – A grant of options to a director is regarded as a dealing by him and is prohibited during the black out period under the Model Code. Chapter 17 of Main Board Rules and Chapter 23 of GEM Rules also prohibit granting share options to any grantee under a share option scheme one month before the approval of results (or the deadline for approval, whichever is earlier).

If you have any question, please contact your case officers.

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

[Signed]

Mark Dickens
Head of Listing

cc: Compliance advisers
Market practitioners