

Amendments to the Main Board Rules

(Effective on 1 January 2012 and 1 April 2012.

For details of the implementation date for each Rule, please see [FAQs](#))

Chapter 1

GENERAL

INTERPRETATION

- 1.01 Throughout this book, the following terms, save where the context otherwise requires, have the following meanings:

“announcement” announcement published under rule 2.07C and “announce” means make an announcement

Chapter 3

GENERAL

AUTHORISED REPRESENTATIVES, AND DIRECTORS, BOARD COMMITTEES AND COMPANY SECRETARY

Authorised Representatives

...

- 3.06 The responsibilities of an authorised representative ~~will be as follows are:~~—
- (1) at all times (particularly ~~prior to~~ before commencement of trading in the morning) to be the principal channel of communication between the Exchange and the ~~listed~~ issuer and to supply the Exchange with details in writing of how ~~he can be contacted to contact him~~ including home, and office, mobile and other telephone numbers, and, where available, email address and correspondence address (if the authorised representative is not based at the registered office), facsimile numbers if available, and any other contact details prescribed by the Exchange from time to time;

Directors

- 3.08 The board of directors of a ~~listed~~ an issuer is collectively responsible for ~~its~~ the management and operations ~~of the listed issuer~~. The Exchange expects the directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. This means that every director must, in the performance of his duties as a director:—

- (a) act honestly and in good faith in the interests of the company as a whole;
- (b) act for proper purpose;
- (c) be answerable to the ~~listed~~-issuer for the application or misapplication of its assets;
- (d) avoid actual and potential conflicts of interest and duty;
- (e) disclose fully and fairly his interests in contracts with the ~~listed~~-issuer; and
- (f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the ~~listed~~-issuer.

Directors must satisfy the required levels of skill, care and diligence. Delegating their functions is permissible but does not absolve them from their responsibilities or from applying the required levels of skill, care and diligence. Directors do not satisfy these required levels if they pay attention to the issuer's affairs only at formal meetings. At a minimum, they must take an active interest in the issuer's affairs and obtain a general understanding of its business. They must follow up anything untoward that comes to their attention.

Directors are reminded that if they fail to discharge their duties and responsibilities, they may be disciplined by the Exchange and may attract civil and/or criminal liabilities under Hong Kong law or the laws of other jurisdictions.

Note: These duties are summarised in "A Guide on Directors' Duties" issued by the Companies Registry. In addition, directors are generally expected by the Exchange to be guided by the Guidelines for Directors and the Guide for Independent Non-executive Directors published by the Hong Kong Institute of Directors (www.hkiod.com). In determining whether a director has met the expected standard of care, skill and diligence, courts will generally consider a number of factors. These include the functions that are to be performed by the director concerned, whether he is a full-time executive director or a part-time non-executive director and his professional skills and knowledge.

3.10A An issuer must appoint independent non-executive directors representing at least one-third of the board.

Note: The issuer must comply with this rule by 31 December 2012.

3.11 An ~~A-listed~~-issuer shall immediately inform the Exchange and publish an announcement ~~in accordance with rule 2.07C~~ containing the relevant details and reasons if at any time the number of its independent non-executive directors falls below:

- (1) the minimum number required under rule 3.10(1) or at any time it has failed to meet the requirement set out in rule 3.10(2) regarding qualification of the

independent non-executive directors; or

(2) one-third of the board as required under rule 3.10A.

The ~~listed~~ issuer shall appoint a sufficient number of independent non-executive directors to meet the minimum number required under rule 3.10(1) or 3.10A or appoint an independent non-executive director to meet the requirement set out in rule 3.10(2) within three months after failing to meet the requirement(s).

Remuneration Committee

3.25 An issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

3.26 The board of directors must approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties.

3.27 If the issuer fails to set up a remuneration committee or at any time has failed to meet any of the other requirements in rules 3.25 and 3.26, it must immediately publish an announcement containing the relevant details and reasons. Issuers must set up a remuneration committee with written terms of reference and/or appoint appropriate members to it to meet the requirement(s) within three months after failing to meet them.

...

Code on Corporate Governance Practices

~~3.25 (1) The Code on Corporate Governance Practices contained in Appendix 14 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, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only.~~

~~*Note: Issuers may also devise their own code on corporate governance practices on such terms as they may consider appropriate.*~~

~~(2) Issuers must state whether they have complied with the code provisions set out in the Code on Corporate Governance Practices for the relevant accounting period in their interim reports (and summary interim reports, if any) and annual reports (and summary financial reports, if any).~~

~~*Note: For the relevant requirements governing preliminary results announcements, see paragraphs 45 and 46 of Appendix 16.*~~

~~(3) Where the issuer deviates from the code provisions set out in the Code on Corporate Governance Practices, the issuer must give considered reasons:~~

- ~~(a) in the case of annual reports (and summary financial reports), in the Corporate Governance Report which must be issued in accordance with Appendix 23; and~~
- ~~(b) in the case of interim reports (and summary interim reports), either:

 - ~~(i) by giving considered reasons for each deviation; or~~
 - ~~(ii) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report, and providing details of any changes together with considered reasons for any deviation not reported in that annual report. Such references must be clear and unambiguous and the interim report (or summary interim report) must not only contain a cross reference without any discussion of the matter.~~~~
- ~~(4) In the case of the recommended best practices, issuers are encouraged, but are not required, to state whether they have complied with them and give considered reasons for any deviation. [Moved to Rule 13.89]~~

Company Secretary

3.28 The issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Exchange, capable of discharging the functions of company secretary.

Notes: 1 The Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;
 - (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
 - (c) a certified public accountant (as defined in the Professional Accountants Ordinance).
- 2 In assessing “relevant experience”, the Exchange will consider the individual’s:
- (a) length of employment with the issuer and other issuers and the roles he played;
 - (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, and the Takeovers Code;
 - (c) relevant training taken and/or to be taken in addition to the minimum requirement under rule 3.29; and

(d) professional qualifications in other jurisdictions.

3.29 In each financial year an issuer's company secretary must take no less than 15 hours of relevant professional training.

Note: A person who was a company secretary of an issuer:

- (a) on or after 1 January 2005 must comply with rule 3.29 for the financial year commencing on or after 1 January 2012;
- (b) between 1 January 2000 to 31 December 2004 must comply with rule 3.29 for the financial year commencing on or after 1 January 2013;
- (c) between 1 January 1995 to 31 December 1999 must comply with rule 3.29 for the financial year commencing on or after 1 January 2015; and
- (d) on or before 31 December 1994 must comply with rule 3.29 for the financial year commencing on or after 1 January 2017.

Chapter 8

EQUITY SECURITIES

QUALIFICATIONS FOR LISTING

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~~8.17 The issuer must appoint a company secretary who satisfies rule 3.28. The secretary of the issuer must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of secretary of the issuer and who:—~~

- ~~(1) in the case of an issuer which was already listed on 1st December 1989 held the office of secretary of the issuer on that date;~~
- ~~(2) is an Ordinary Member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or~~
- ~~(3) is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Exchange, capable of discharging those functions.~~

Chapter 13

EQUITY SECURITIES

CONTINUING OBLIGATIONS

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GENERAL MATTERS RELEVANT TO THE ISSUER'S SECURITIES

Changes in issued share capital

- 13.25A (1) ... ~~a listed~~ an issuer shall ~~must~~, whenever there is a change in its issued share capital as a result of or in connection with any of the events referred to in rule 13.25A(2), submit ... for publication on the Exchange's website a return in such form and containing such information ... by not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day next following the relevant event.
- (2) The events referred to in rule 13.25A(1) are as follows:
- (a) any of the following:
- (i) ...
- ...
- (viii) exercise of an option under the issuer's a-share option scheme by any of its directors ~~a director of the listed issuer or any of its subsidiaries~~;
- (ix) exercise of an option other than under the issuer's a-share option scheme by any of its directors ~~a director of the listed issuer or any of its subsidiaries~~;
- (b) subject to rule 13.25A(3), any of the following:
- (i) exercise of an option under a share option scheme other than by a director of the ~~listed issuer or any of its subsidiaries~~;
- (ii) exercise of an option other than under a share option scheme not by a director of the ~~listed issuer or any of its subsidiaries~~;

Meetings of Shareholders

- 13.39 (1) ...
- (4) Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates

purely to a procedural or administrative matter to be voted on by a show of hands. ~~and the~~ The issuer must announce the results of the poll in the manner prescribed under rule 13.39(5).

Note: Procedural and administrative matters are those that:

(i) are not on the agenda of the general meeting or in any supplementary circular to members; and

(ii) which relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all shareholders a reasonable opportunity to express their views.

(5) ~~The issuer shall~~ must announce the meeting's poll results ~~(including (i) the total number of shares entitling the holder to attend and vote for against the resolution at the meeting, (ii) the total number of shares entitling the holder to attend and vote only against the resolution at the meeting, (iii) the number of shares represented by votes for and against the relevant resolution)~~ by way of an announcement which is published in accordance with rule 2.07C as soon as possible, but in any event ~~not later than at least the time that is~~ 30 minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day ~~following~~ after the meeting.

The poll results announcement must include the number of:

(a) shares entitling the holder to attend and vote on a resolution at the meeting;

(b) shares entitling the holder to attend and abstain from voting in favour as set out in rule 13.40;

(c) shares of holders that are required under the Listing Rules to abstain from voting;

(d) shares actually voted for a resolution; and

(e) shares actually voted against a resolution.

The issuer ~~shall~~ must appoint its auditors, share registrar or external accountants who are qualified to serve as its auditors ~~for the issuer~~ as scrutineer for the vote-taking and state the identity of the scrutineer in the announcement. The issuer ~~shall~~ must confirm ~~state~~ in the announcement whether or not any parties that have stated their intention in the circular to vote against the relevant resolution or to abstain have done so at the general meeting.

Voting of directors at board meetings

- 13.44 Subject to the exceptions set out in paragraphs (1), (2), (4) and (5) of Note 1 to Appendix 3, a director of the issuer shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting.

NOTIFICATION

Changes

- 13.51 An issuer shall ~~must~~ inform the Exchange immediately of any decision made and publish an announcement in accordance with ~~rule 2.07C~~ as soon as practicable in regard to: -

...

- (2) ...

Where a new director, ~~or supervisor~~ or chief executive is appointed or the resignation, ~~or re-designation,~~ retirement or removal of a director, ~~or supervisor~~ or chief executive takes effect, ~~the Exchange must be informed immediately thereafter. The~~ the issuer must simultaneously make ~~arrangements to ensure that~~ publish an announcement of the change ~~appointment, resignation re designation of the director or supervisor is published in accordance with rule 2.07C~~ as soon as practicable. The issuer shall ~~and~~ include the following details of ~~any newly appointed or re-designated director, or supervisor~~ in the announcement of ~~his appointment or re-designation~~: -

...

- (o) where he has, ~~in connection with the formation or management of any enterprise, company, partnership or unincorporated business enterprise or institution,~~ been adjudged by a Court or arbitral body civilly liable for any fraud, breach of duty or other misconduct by him involving dishonesty ~~towards such enterprise, company, partnership or unincorporated business enterprise or institution or towards any of its members or partners,~~ full particulars of ~~such~~ the judgment;

...

- (x) ...

The issuer shall ~~must~~ also disclose in the announcement of resignation or removal of a director, ~~or supervisor~~ or chief executive the reasons given by or to him ~~the director, or supervisor~~ for his resignation or removal (including, but not limited to, any information relating to his disagreement with the board and a statement ~~as to~~ whether or not there are any matters that need to be brought to the attention of holders of securities of the issuer).

13.51B (3) ...

- (a) ~~in respect of~~ for rule 13.51(2)(a), an issuer need not disclose the age of the director or supervisor in its interim reports;
- (b) ~~in respect of~~ for rule 13.51(2)(d), an issuer need not disclose the length of service of a director or supervisor;
- (c) ~~in respect of~~ for rule 13.51(2)(h), an issuer need not disclose any sanction imposed on it by the Exchange; and
- (d) ~~in respect of~~ for rule 13.51(2)(k), an issuer need not disclose the particulars of any unsatisfied judgments or court orders of continuing effect until the relevant judgment or court order becomes final.

13.51D The issuer must publish the procedures for shareholders to propose a person for election as a director on its website.

Appointment and removal of auditor prior to expiration of his term of office

13.88 The issuer must at each annual general meeting appoint an auditor to hold office from the conclusion of that meeting until the next annual general meeting. The issuer must not remove its auditor before the end of the auditor's term of office without first obtaining shareholders' approval at a general meeting. An issuer must send a circular proposing the removal of the auditor to shareholders with any written representations from the auditor, not less than 10 business days before the general meeting. An issuer must allow the auditor to attend the general meeting and make written and/or verbal representations to shareholders at the general meeting.

Corporate Governance Code

13.89 (1) The Corporate Governance Code in Appendix 14 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, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only.

Note: Issuers may also devise their own code on corporate governance practices on such terms as they may consider appropriate.

(2) Issuers must state whether they have complied with the code provisions set out in the Corporate Governance Code for the relevant accounting period in their interim reports (and summary interim reports, if any) and annual reports (and summary financial reports, if any).

Note: For the requirements governing preliminary results announcements, see paragraphs 45 and 46 of Appendix 16.

- (3) Where the issuer deviates from the code provisions, it must give considered reasons:
- (a) for annual reports (and summary financial reports), in the Corporate Governance Report under Appendix 14; and
 - (b) for interim reports (and summary interim reports), either:
 - (i) by giving considered reasons for each deviation; or
 - (ii) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report, and providing details of any changes together with considered reasons for any deviation not reported in that annual report. The references must be clear and unambiguous and the interim report (or summary interim report) must not contain only a cross-reference without any discussion of the matter.
- (4) For the recommended best practices, issuers are encouraged, but are not required, to state whether they have complied with them and give considered reasons for any deviation.

Publication of issuers' constitutional documents

- 13.90 An issuer must publish on its own website and on the Exchange's website, an up to date consolidated version of its memorandum and articles of association or equivalent constitutional document.

Chapter 14

EQUITY SECURITIES

NOTIFIABLE TRANSACTIONS

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Major transaction circulars

- 14.66 A circular relating to a major transaction must contain the following:—

...

- (8) information as to the competing interests (if any) of each of the directors and any proposed director of the listed issuer and his/her respective associates (as if each of them were treated as a controlling shareholder under rule 8.10 would be required to be disclosed under rule 8.10 if each of them were a controlling shareholder);

Chapter 14A

EQUITY SECURITIES

CONNECTED TRANSACTIONS

...

Content of circular

General principles

...

14A.59 The circular must contain at least:

...

- (11) information as to the competing interests (if any) of each of the directors and any proposed director of the listed issuer and his/her respective associates (as if each of them were treated as a controlling shareholder under rule 8.10 ~~would be required to be disclosed under rule 8.10 if each of them were a controlling shareholder~~);

Chapter 19A

EQUITY SECURITIES

ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

~~19A.16 The secretary of a PRC issuer need not be ordinarily resident in Hong Kong, provided such person can meet the other requirements of rule 8.17.~~

~~*Note: Where the secretary of a PRC issuer does not possess a qualification as required by rule 8.17(2), the PRC issuer will have to satisfy the Exchange the requirement under rule 8.17(3). In assessing the "relevant experience" of person under rule 8.17(3), the Exchange will normally have regard to, among other considerations, period of his employment with the PRC issuer and his familiarity with the Exchange Listing Rules. The Exchange would expect submission from the sponsor demonstrating that (a) sufficient time and efforts have been spent on training the appointee by way of induction courses or other means which are satisfactory to the Exchange; and (b) the sponsor is satisfied that the appointee will be able to discharge a secretary's duties.*~~ [Repealed (date)]

Appendix 14

CODE ON CORPORATE GOVERNANCE CODE PRACTICES AND CORPORATE GOVERNANCE REPORT

The Code

~~This Code on Corporate Governance Practices 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, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only. Issuers may also devise their own code on corporate governance practices on such the terms as they may consider appropriate.~~

~~Issuers must state whether they have complied with the code provisions set out in this Code for the relevant accounting period in their interim reports (and summary interim reports, if any) and annual reports (and summary financial reports, if any).~~

~~Every issuer must carefully review each code provision set out in this Code and, where the issuer it deviates from any of them the code provisions, the issuer it must give considered reasons:~~

- ~~(a) in the case of annual reports (and summary financial reports), in the Corporate Governance Report which must be issued in accordance with Appendix 23; and~~
- ~~(b) in the case of interim reports (and summary interim reports), either:~~
 - ~~(i) by giving considered reasons for each deviation; or~~
 - ~~(ii) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report, and providing details of any changes together with considered reasons for any deviation not reported in that annual report. Such The references must be clear and unambiguous and the interim report (or summary interim report) must not only contain only a cross-reference without any discussion of the matter.~~

~~In the case of the recommended best practices, issuers Issuers are encouraged, but are not required, to state whether they have complied with them the recommended best practices and give considered reasons for any deviation.~~

Corporate Governance Report¹

- ~~1. Listed issuers Issuers shall must include a report on corporate governance practices (the "Corporate Governance Report") prepared by the board of directors in their summary financial reports (if any) pursuant to under paragraph 50 of Appendix 16 and annual reports pursuant to under paragraph 34 of Appendix 16. The Corporate Governance Report shall must contain all the information set out in paragraph 2~~

Paragraphs G to P of this Appendix. Any failure to do so will be regarded as a breach of the Exchange Listing Rules.

~~To the extent that it is a reasonable and appropriate extent,~~ the Corporate Governance Report included in ~~a listed an~~ issuer's summary financial report may ~~take the form of be a~~ summary of the Corporate Governance Report contained in the annual report and may also incorporate information by reference to its annual report. ~~Any such~~ The references must be clear and unambiguous and the summary must not only contain only a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "Code").

~~Listed issuers~~ Issuers are also encouraged to disclose information set out in ~~paragraph 3~~ Paragraphs Q to T of this Appendix in their Corporate Governance Reports.

What is "comply or explain"?

1. The Code sets out a number of "principles" followed by code provisions and recommended best practices. It is important to recognise that the code provisions and recommended best practices are not mandatory rules. The Exchange does not envisage a "one size fits all" approach. Deviations from code provisions are acceptable if the issuer considers there are more suitable ways for it to comply with the principles.
2. Therefore the Code permits greater flexibility than the Rules, reflecting that it is impractical to define in detail the behaviour necessary from all issuers to achieve good corporate governance. To avoid "box ticking", issuers must consider their own individual circumstances, the size and complexity of their operations and the nature of the risks and challenges they face. Where an issuer considers a more suitable alternative to a code provision exists, it should adopt it and give reasons. However, the issuer must explain to its shareholders why good corporate governance was achieved by means other than strict compliance with the code provision.
3. Shareholders should not consider departures from code provisions and recommended best practices as breaches. They should carefully consider and evaluate explanations given by issuers in the "comply or explain" process, taking into account the purpose of good corporate governance.
4. An informed, constructive dialogue between issuers and shareholders is important to improving corporate governance.

PRINCIPLES OF GOOD GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

A. DIRECTORS

A.1 The Board

Principle

An issuer should be headed by an effective board which should assume responsibility for its leadership and control ~~of the issuer~~ and be collectively responsible for promoting the its success ~~of the issuer~~ by directing and supervising ~~the issuer's~~ its affairs. Directors should take decisions objectively in the best interests of the issuer.

The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

Code Provisions

A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected ~~that such~~ regular board meetings will normally involve the active participation, either in person or through ~~other~~ electronic means of communication, of a majority of directors entitled to be present. ~~Accordingly, So,~~ a regular meeting does not include ~~the practice of~~ obtaining board consent through ~~the circulation of~~ circulating written resolutions.

A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.

A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.

~~A.1.4 All directors should 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. [Moved to F.1.4]~~

A.1.54 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and ~~such minutes~~ should be open for inspection at any reasonable time on reasonable notice by any director.

A.1.65 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered ~~by the board~~ and decisions reached, including any concerns raised by directors or

dissenting views expressed. Draft and final versions of minutes of ~~board meetings~~ should be sent to all directors for their comment and records respectively, ~~in both cases~~ within a reasonable time after the board meeting is held.

A.1.76 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist them ~~the relevant director or directors to discharge perform his~~ their duties to the issuer.

A.1.87 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 should ~~not be dealt with by a physical board meeting rather than a written resolution circulation or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held.~~ Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at ~~such that~~ board meeting.

Notes: ~~1—Directors are reminded of the requirement under rule 13.44 that they must abstain from voting on any board resolution in which they or any of their associates have a material interest and that they shall not be counted in the quorum present at the board meeting. The existing exceptions to the general voting prohibition are currently set out in note 1 to Appendix 3. Subject to the issuer's constitutional documents, and the law and regulations of its place of incorporation, a director's attendance by electronic means including telephonic or videoconferencing may be counted as attendance at a physical board meeting.~~

~~2—Such exceptions to the general voting prohibition should also be taken into account when considering whether a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board. If the relevant exceptions apply, a regular board meeting need not be held. For this purpose, please refer to A.1.1 for the meaning of a regular board meeting.~~

Recommended Best Practices

A.1.98 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.

A.1.10 ~~Board committees should adopt, so far as practicable, the principles, procedures and arrangements set out in A.1.1 to A.1.8.~~

A.2 Chairman and Chief Executive Officer

Principle

There are two key aspects of the management of every issuer - the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provisions

A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Note: Under paragraphs 2(c)(vii) and 2(d) of Appendix 23, issuers must disclose in their Corporate Governance Report the identity of the chairman and the chief executive officer and whether these two roles are segregated and the nature of any relationship (including financial, business, family or other material/relevant relationship(s)), if any, among members of the board and in particular, between the chairman and the chief executive officer.

A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

A.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable, in a timely manner.

Recommended Best Practices

A.2.4 One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and ~~discharges~~ performs its responsibilities, and that all key and appropriate issues are discussed by ~~the board~~ it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take ~~taking~~ into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate ~~such~~ this responsibility to a designated director or the company secretary.

A.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.

A.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that ~~the~~

~~board~~ it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.

A.2.7 The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

A.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their ~~views~~ ~~of shareholders~~ are communicated to the board as a whole.

A.2.9 The chairman should promote a culture of openness and debate by facilitate ~~facilitating~~ the effective contribution of non-executive directors in particular and ~~ensure~~ ~~ensuring~~ constructive relations between executive and non-executive directors.

A.3 Board composition

Principle

The board should have a balance of skills and experience appropriate for the requirements of the issuer's ~~business of the issuer~~. ~~The board~~ It should ensure that changes to its composition can be managed without undue disruption. ~~The board~~ It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Notes: 1 ~~Under rule 3.10, every board of directors of a listed issuer must include at least three independent non-executive directors.~~

2 ~~Guidelines on independence of independent non-executive directors are set out in rule 3.13.~~

Code Provisions

A.3.1 The independent non-executive directors should be ~~expressly~~ identified ~~as such~~ in all corporate communications that disclose the names of directors ~~of the issuer~~.

Note: ~~Under paragraph 2(c)(i) of Appendix 23, issuers must disclose the composition of the board, by category of directors, including names of chairman, executive directors, non-executive directors and independent non-executive directors in the Corporate Governance Report.~~

Recommended Best Practices

~~A.3.2 An issuer should appoint independent non executive directors representing at least one third of the board.~~

A.3.3~~2~~ An issuer should maintain on its website and on the Exchange's website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors ~~to the board~~. There should be plans in place for orderly succession for appointments ~~to the board~~. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provisions

A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.

~~*Note: Under paragraph 2(e) of Appendix 23, issuers must disclose the term of appointment of non executive directors in the Corporate Governance Report.*~~

A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after ~~their~~ appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

~~*Notes: 1 The names of all directors submitted for election or re-election must be accompanied by the same biographical details as required for newly appointed directors set out in rule 13.51(2) (including other directorships held in listed public companies in the last three years and other major appointments) to enable shareholders to make an informed decision on their election.*~~

~~*2 If a director resigns or is removed from office, an issuer must comply with the disclosure requirements in rule 13.51(2) and include in its announcement about the director's resignation or removal the reasons given by the director for his resignation (including but not limited to information relating to a relevant director's disagreement with the issuer, if any, and a statement confirming whether*~~

~~or not there are any matters that need to be brought to the attention of shareholders).~~

Recommended Best Practices

A.4.3 Serving more than ~~nine~~9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, ~~any~~his further appointment of ~~such the independent non-executive director~~ should be subject to a separate resolution to be approved by shareholders. ~~The board should set out to shareholders in the~~The papers to shareholders accompanying a ~~that~~ resolution to elect such an independent non-executive director should include the reasons ~~they why the board believes that the individual he is still continues to be independent and why he should be re-elected.~~

A.5 Nomination Committee

Code Provisions

A.4.45.1 Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises. ~~A a majority of the members of the nomination committee should be independent non-executive directors.~~

A.4.55.2 The nomination committee should be established with specific written terms of reference which deal clearly with ~~the committee's its~~ authority and duties. ~~It is recommended that the nomination committee~~It should discharge perform the following duties:-

- (a) review the structure, size and composition (including the skills, knowledge and experience) of the board ~~on a regular basis at least annually~~ and make recommendations ~~to the board regarding on~~ any proposed changes to the board to complement the issuer's corporate strategy;
- (b) 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) assess the independence of independent non-executive directors; and
- (d) make recommendations to the board on ~~relevant matters relating to~~ the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive ~~officer.~~

A.4.65.3 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the

board by including them on the Exchange's website and issuer's website.

Notes: 1—This requirement could be met by making it available on request and by including the information on the issuer's website.

2—Under paragraph 2(g)(i) of Appendix 23, issuers must explain the role of the nomination committee (if any) in the Corporate Governance Report.

A.4.75.4 Issuers should provide the ~~The nomination committee should be provided with sufficient resources to discharge~~ perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.

A.4.85.5 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he ~~the individual~~ should be elected and the reasons why they consider him ~~the individual~~ to be independent.

A.56 Responsibilities of directors

Principle

Every director ~~is required to~~ must always know ~~keep abreast of~~ his responsibilities as a director of an issuer and ~~of the~~ its conduct, business activities and development ~~of that issuer~~. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Note: These duties are summarised in "Non-statutory Guidelines of Directors' Duties" issued by the Companies Registry in January 2004. In determining whether a director has met the requisite standard of care, skill and diligence expected of him, courts will generally have regard to a number of factors. These include the functions that are to be performed by the director concerned, whether the director is a full-time executive director or a part-time non-executive director and the professional skills and knowledge of the director concerned. [Moved under Rule 3.08]

Code Provisions

A.56.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction ~~on the first occasion of his appointment, and subsequently such~~ Subsequently he should receive any briefing and professional development ~~as is necessary, to~~

ensure that he has a proper understanding of the issuer's operations and business ~~of the issuer and that he is~~ fully aware of his responsibilities under statute and common law, the Exchange Listing Rules, ~~applicable legal requirements and other regulatory requirements and the issuer's~~ business and governance policies ~~of the issuer~~.

A.56.2 The functions of non-executive directors should include ~~but should not be limited to the following~~:

- (a) participating in board meetings ~~of the issuer~~ to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and
- (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring ~~the performance reporting of performance~~.

A.56.3 Every director should ensure that he can give sufficient time and attention to the issuer's affairs ~~of the issuer~~ and should not accept the appointment if he cannot do so.

A.56.4 ~~Directors must comply with their obligations under the Model Code set out in Appendix 10 and, in addition, the~~ The board should establish written guidelines ~~on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the issuer's securities of the issuer. For this purpose, "Relevant employee" includes any employee of the issuer or a director or employee of a subsidiary or holding company of the issuer who, because of such his office or employment, is likely to be in possession of unpublished price sensitive information in relation to the issuer or its securities.~~

~~Recommended Best Practices~~

A.56.5 All directors should participate in a ~~programme of~~ continuous professional development to develop and refresh their knowledge and skills. This is to help ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding a suitable development programme training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

Note: Directors should provide a record of the training they received to the issuer.

- A.56.6 Each director should disclose to the issuer at the time of his appointment, and ~~on a periodic basis in~~ a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments, ~~with the~~ The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently ~~such~~ this disclosure should be made.
- A.56.7 Independent non-executive directors and other non-executive ~~Non-executive~~ directors, as equal board members, should give the board and any committees on which they serve ~~such as the audit, remuneration or nomination committees~~ the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.
- A.56.8 Independent non-executive directors and other non-executive ~~Non-executive~~ directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.

A.67 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in the ~~such~~ form and ~~of such~~ quality as will to enable them to make an informed decision and ~~to discharge~~ perform their duties and responsibilities ~~as directors of an issuer~~.

Code Provisions

- A.67.1 ~~In respect of~~ For regular board meetings, and ~~so as~~ far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or ~~such~~ other agreed period as ~~agreed~~).
- A.67.2 Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfil his duties properly, a director may not, in all circumstances, be able to rely purely on ~~what is volunteered~~ information provided voluntarily by management and he may need to make further enquiries, ~~may be required~~. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. ~~The~~ So, the board and ~~each~~ individual directors should have separate and independent access to the issuer's senior management.

~~Notes: 1—The information provided should include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements. In respect of budgets, any material variance between the projections and actual results must also be disclosed and explained.~~

~~2—For the purpose of In this Code, “senior management” should refers to the same category of persons as referred to in the issuer’s annual report and is required to be disclosed under paragraph 12 of Appendix 16.~~

A.67.3 All directors are entitled to have access to board papers and related materials. ~~Such~~ These papers and related materials should be prepared in ~~such a~~ form and quality as ~~will~~ sufficient to enable the board to make an informed decisions on matters placed before it. ~~Where queries~~ Queries are raised by directors, steps must be taken to respond as promptly and fully as possible should receive a prompt and full response, if possible.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

B.1 The level and make-up of remuneration and disclosure

Principle

An issuer should disclose ~~information relating to its directors’ remuneration policy and other remuneration related matters. There should be a formal and transparent~~ The procedure for setting policy on executive directors’ remuneration and for fixing the all directors’ remuneration packages should be formal and transparent. ~~for all directors. Levels of remuneration~~ Remuneration levels should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid without paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

~~Notes: 1—Under paragraph 24B of Appendix 16, issuers are required to give a General description of the emolument policy and long term incentive schemes of the group as well as the basis of determining the emolument payable to their directors.~~

~~2—Under paragraph 24 of Appendix 16, directors’ fees and any other reimbursement or emolument payable to a director must be disclosed in full in the annual reports and accounts of the issuer on an individual and named basis.~~

Code Provisions

~~B.1.1~~ Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

B.1.21 The remuneration committee should consult the chairman and/or chief executive officer about their remuneration proposals relating to the remuneration of for other executive directors, and The remuneration committee should have access to independent professional advice if considered necessary.

B.1.32 The remuneration committee's terms of reference of the remuneration committee should include, as a minimum, ~~the following specific duties:~~

-

- (a) to make recommendations to the board on the issuer's policy and structure for all ~~remuneration of~~ directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy on such remuneration;

Note: For the purpose of this Code, "senior management" should refer to the same category of persons as referred to in the issuer's annual report and is required to be disclosed under paragraph 12 of Appendix 16.

- (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;

~~(b)~~(c) either:

- (i) to determine, have the with delegated responsibility, to determine the specific remuneration packages of all 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, including include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- ~~(d)~~ to and make recommendations to the board ~~of~~ on the remuneration of non-executive directors;

- ~~(e)~~ (e) The remuneration committee should ~~to~~ consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, and employment conditions elsewhere in the group and desirability of performance based remuneration;

~~Note: Please refer to the Note to B.1.3(a) of this Code for the definition of “senior management”.~~

- ~~(e)~~ (e) to review and approve performance based remuneration by reference to corporate goals and objectives resolved by the board from time to time;

- ~~(d)~~(f) to review and approve the compensation payable to executive directors and senior management in connection with for any loss or termination of ~~their~~ office or appointment to ensure that such compensation it is determined in accordance consistent with relevant contractual terms and ~~that such compensation is~~ otherwise fair and not excessive ~~for the issuer~~;

~~Note: Please refer to the Note to B.1.3(ab) of this Code for the definition of “senior management”.~~

- ~~(e)~~(g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they such arrangements are determined in accordance consistent with relevant contractual terms and ~~that any compensation payment is~~ are otherwise reasonable and appropriate; and

- ~~(f)~~(h) to ensure that no director or any of his associates is involved in deciding his own remuneration.

~~Note: The remuneration committee shall advise shareholders on how to vote with respect to any service contracts of directors that require shareholders’ approval under rule 13.68.~~

B.1.43 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange’s website and the issuer’s website.

~~Notes: 1 This requirement could be met by making it available on request and by including the information on the issuer’s website.~~

~~2 Under paragraph 2(f)(i) of Appendix 23, issuers must explain the role of the remuneration committee (if any) in the Corporate Governance Report.~~

B.1.54 The remuneration committee should be provided with sufficient resources to ~~discharge~~perform its duties.

B.1.5 Issuers should disclose details of any remuneration payable to members of senior management by band in their annual reports.

Recommended Best Practices

B.1.86 ~~If B.1.2(c)(ii) is adopted,~~Where ~~where~~ the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee ~~disagrees~~ ~~has previously resolved not to approve~~, the board ~~must~~ should disclose the reasons for its resolution in its next ~~annual report~~ Corporate Governance Report.

B.1.67 A significant proportion of executive directors' remuneration should ~~be structured so as to~~ link rewards to corporate and individual performance.

B.1.78 Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports ~~and accounts~~.

Notes: 1 ~~Issuers should disclose details of any remuneration payable to members of senior management. Such disclosure should be to the same standard as that required for directors of issuers under paragraph 24 of Appendix 16.~~

2 ~~For the purpose of this Code, "senior management" should refer to the same category of persons as referred to in the issuer's annual report and is required to be disclosed under paragraph 12 of Appendix 16.~~

B.1.9 The board should conduct a regular evaluation of its performance.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code Provisions

C.1.1 Management should provide ~~such~~ sufficient explanation and information to the board ~~as will to~~ enable the board ~~it~~ to make an informed assessment of ~~the~~ financial and other information put before ~~the board~~ it for approval.

~~Note: Issuers are reminded of their obligation to comply with the financial reporting and disclosure requirements set out in the Exchange Listing Rules. Failure to comply with such requirements constitutes a breach of the Exchange Listing Rules.~~

C.1.2 Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13.

Note: The information provided may include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements such as monthly management accounts and management updates. For budgets, any material variance between the projections and actual results should also be disclosed and explained.

C.1.23 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts, and there ~~There~~ should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. When ~~Where~~ the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt upon ~~on~~ the issuer's ability to continue as a going concern, such uncertainties they ~~should be clearly and prominently set out~~ disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information ~~so as to enable~~ for investors to understand the severity and significance of the matters at hand. To the extent that it is a reasonable and appropriate extent, the issuer may refer to the other relevant parts of the annual report. Any such ~~These~~ references should be clear and unambiguous and the Corporate Governance Report should not only contain only a cross-reference without any discussion of the matter.

C.1.4 The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.

Note: An issuer should have a corporate strategy and a long term business model. Long term financial performance as opposed

to short term rewards should be a corporate governance objective. An issuer's board should not take undue risks to make short term gains at the expense of long term objectives.

C.1.35 ~~The board's responsibility to~~ should present a balanced, clear and understandable assessment ~~extends to~~ in annual and interim reports, other price-sensitive announcements and other financial disclosures required ~~under by the Exchange Listing Rules, and~~ It should also do so for reports to regulators as well as to ~~and~~ information disclosed under required to be disclosed pursuant to statutory requirements.

Recommended Best Practices

C.1.46 An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter. ~~These should disclosing~~ disclose sufficient such information ~~as would to~~ enable shareholders to assess the issuer's performance, financial position and prospects ~~of the issuer. Any such~~ An issuer's quarterly financial reports results should be prepared using the accounting policies ~~applied to the issuer's~~ of its half-year and annual accounts.

C.1.57 Once an issuer ~~decides to~~ announces and publish its quarterly financial results, it should continue to ~~do so~~ adopt quarterly reporting for each of the first 3 and 9 months periods of subsequent financial years. Where ~~the issuer it~~ it decides not to continuously announce and publish its financial results for a particular quarter, it should ~~publish an announcement to disclose~~ announce the reason(s) for ~~such~~ this decision.

C.2 Internal controls

Principle

The board should ensure that the issuer maintains sound and effective internal controls to safeguard ~~the~~ shareholders' investment and the issuer's assets.

Code Provisions

C.2.1 The directors should at least annually conduct a review of the effectiveness of the issuers' and its subsidiaries' system ~~of internal control systems of the issuer and its subsidiaries~~ and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

C.2.2 The board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget ~~of staff~~ of the issuer's accounting and financial reporting function, ~~and their training programmes and budget.~~

Recommended Best Practices

C.2.3 The board's annual review should, in particular, consider:

- (a) the changes, since the last annual review, in the nature and extent of significant risks, and the issuer's ability to respond to changes in its business and the external environment;
- (b) the scope and quality of management's ongoing monitoring of risks and of the ~~system of internal control~~ system, and where applicable, the work of its internal audit function and other ~~assurance providers of assurance~~;
- (c) the extent and frequency of ~~the communication of the results of the monitoring results~~ to the board (or board committee(s)) which enables it to ~~build up a cumulative assessment of the state of assess control in of the issuer and the effectiveness with which of risk is being managed~~ management;
- (d) ~~the incidence of significant control failings or weaknesses that has have been identified at any time during the period, and Also,~~ the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and
- (e) the effectiveness of the issuer's processes ~~relating to for~~ financial reporting and Listing Rule compliance.

C.2.4 Issuers should disclose, ~~as part of in~~ the Corporate Governance Report, a narrative statement on how they have complied with ~~the internal control code provisions on internal control~~ during the reporting period. The disclosures should also include ~~the following items~~:

- (a) the process ~~that an issuer has applied for used to identifying, evaluating evaluate and managing the manage~~ significant risks faced by it;
- (b) ~~any additional information to assist understanding of the issuer's explain its~~ risk management processes and ~~system of internal control~~ system;
- (c) an acknowledgement by the board that it is responsible for the ~~issuer's system of internal control~~ system and ~~for~~ reviewing its effectiveness;
- (d) the process ~~that an issuer has applied in used to reviewing~~ the effectiveness of the ~~system of internal control~~ system; and

- (e) the process ~~that an issuer has applied~~ used to deal with ~~resolve~~ material internal control ~~aspects of~~ defects for any significant problems disclosed in its annual reports and accounts.

C.2.5 Issuers should ensure that their disclosures provide meaningful information and do not give a misleading impression.

C.2.6 Issuers without an internal audit function should review the need for one on an annual basis and should disclose the outcome of ~~such~~ this review in the ~~issuers'~~ Corporate Governance Report.

C.3 Audit Committee

Principle

The board should establish formal and transparent arrangements ~~for to~~ considering how it will apply ~~the~~ financial reporting and internal control principles and ~~for maintaining~~ an appropriate relationship with the ~~company's~~ issuer's auditors. The audit committee established ~~by an issuer pursuant to~~ under the Exchange-Listing Rules should have clear terms of reference.

Code Provisions

C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the ~~audit committee~~ meetings should be sent to all committee members ~~of the committee~~ for their comment and records ~~respectively, in both cases~~ within a reasonable time after the meeting.

C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of ~~the issuer's~~ its audit committee for a period of 1 year ~~commencing on~~ from the date of his ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is ~~the~~ later.

C.3.3 The ~~terms of reference of the~~ audit committee's terms of reference should include at least ~~the following duties:-~~

Relationship with the issuer's auditors

- (a) to be primarily responsible for making recommendations 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 any questions of its resignation or dismissal ~~of that auditor~~;

Note: Issuers are reminded that rule 13.51(4) requires an announcement to be published when there is a change of auditors. The announcement must also include a statement as to whether there are any matters that need to be brought to holders of securities of the issuer.

- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on ~~the engagement of~~ engaging an external auditor to supply non-audit services. For this purpose, "external auditor" ~~shall include~~ shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party ~~having knowledge of~~ knowing all relevant information would reasonably conclude ~~as to be~~ as 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 ~~in respect of which it considers that where~~ in respect of which it considers that where action or improvement is needed ~~and making recommendations as to the steps to be taken;~~

Review of the issuer's financial information of the issuer

- (d) to monitor integrity of the issuer's financial statements of an issuer and ~~the issuer's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in~~ the issuer's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the board, the 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 Exchange Listing Rules and ~~other~~ legal requirements in relation to financial reporting;

- (e) ~~In regard to~~ Regarding (d) above:-
- (i) members of the committee ~~must~~ should liaise with the issuer's board of directors and senior management and the committee must meet, at least ~~once~~ twice a year, with the issuer's auditors; and
 - (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in ~~such~~ the reports and accounts, ~~and must~~ it should give due consideration to any matters that have been raised by the issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- (f) to review the issuer's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with ~~the~~ management ~~the system of internal control and to~~ ensure that management has ~~discharged~~ performed its duty to have an effective internal control system. This discussion should include ~~including~~ the adequacy of resources, staff qualifications and experience, training programmes and budget ~~of staff~~ of the issuer's accounting and financial reporting function, ~~and their training programmes and budget~~;
- (h) to consider ~~any findings of major investigations~~ findings on of internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (i) 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 issuer, and to review and monitor ~~the~~ its effectiveness ~~of the internal audit function~~;
- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management ~~in respect of the~~ about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;

- (m) to report to the board on the matters ~~set out~~ in this code provision; and
- (n) to consider other topics, as defined by the board.

Notes: ~~The following~~ These are only intended to be suggestions ~~as to~~ on how compliance with ~~the above~~ this code provision may be achieved and do not form part of ~~the code provision~~ it.

1 ~~The audit committee may wish to consider establishing the following procedure to review and monitor the independence of external auditors:~~ -

- (i) ~~consider all relationships between the issuer and the audit firm (including the provision of non-audit services);~~
- (ii) ~~seek obtain from the audit firm annually, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding those for rotation of audit partners and staff; and~~
- (iii) ~~meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.~~

2 ~~The audit committee may wish to consider agreeing with the board the issuer's policies relating to the on hiring of employees or former employees of the external auditors and monitoring the application of such these policies. The audit committee should then be in a position to consider whether in the light of this there has been or appears to be any impairment or appearance of impairment, of the auditor's judgement or independence in respect of for the audit.~~

3 ~~The audit committee would normally be expected to should ensure that the provision by an external auditor's provision of non-audit services does not impair the external auditor's its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the audit committee may wish to consider:~~

- (i) ~~whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;~~

- (ii) *whether there are safeguards in place to ensure that there is no threat to the objectivity and independence ~~in of the conduct of the audit~~ because resulting from the provision of such services by the external auditor provides non-audit services;*
- (iii) *the nature of the non-audit services, the related fee levels and ~~the~~ fee levels individually and in aggregate total relative to the audit firm; and*
- (iv) *~~the criteria which govern the~~ for compensation of the individuals performing the audit.*

4 *For further guidance ~~on the duties of an audit committee~~, issuers may refer to the “Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor’s Independence” issued by the Technical Committee of the International Organization of Securities Commissions in October 2002 and “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants (~~formerly known as the Hong Kong Society of Accountants~~) in February 2002. Issuers may also adopt the terms of reference ~~set out~~ in those guides, or ~~they may adopt~~ any other comparable terms of reference ~~for the establishment of~~ establishing an audit committee.*

C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange’s website and the issuer’s website.

Notes: 1 ~~This requirement could be met by making it available on request and by including the information on the issuer’s website.~~

2 ~~Under paragraph 2(i)(i) of Appendix 23, issuers must explain the role of the audit committee in the Corporate Governance Report.~~

C.3.5 Where the board disagrees with the audit committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.

C.3.6 The audit committee should be provided with sufficient resources to discharge ~~perform~~ its duties.

Recommended Best Practices

C.3.7 The terms of reference of the audit committee should also require ~~the audit committee~~ it:

- (a) to review arrangements ~~by which~~ employees of the issuer ~~may~~ can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for ~~the~~ fair and independent investigation of ~~such~~ these matters and for appropriate follow-up action; and
- (b) to act as the key representative body for overseeing the issuer's relations with the external auditor.

Recommended Best Practice

C.3.8 The audit committee should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the issuer.

D. DELEGATION BY THE BOARD

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved ~~to the~~ for board for its decision approval. The board should give clear directions to management ~~as to on~~ the matters that must be approved by ~~the board~~ it before decisions are made on the issuer's behalf ~~of the issuer~~.

Code Provisions

D.1.1 When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the ~~powers of management's powers~~, in particular, ~~with respect to the circumstances~~ where management should report back and obtain prior board approval ~~from the board~~ before making decisions or entering into any commitments on the issuer's behalf ~~of the issuer~~.

Note: The board should not delegate matters to a board committee, executive directors or management to an extent that would significantly hinder or reduce the ability of the board as a whole to ~~discharge~~ perform its functions.

D.1.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements ~~on a periodic basis~~ periodically to ensure that they remain appropriate to the issuer's ~~needs of the issuer~~.

~~Note: Under paragraph 2(c)(iv) of Appendix 23, issuers must include in their Corporate Governance Report a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.~~

Recommended Best Practices

D.1.3 An issuer should disclose the respective responsibilities, ~~division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective~~ accountabilities and contributions of the board and management.

D.1.4 Directors should clearly understand delegation arrangements in place. ~~To that end, issuers~~ Issuers should have formal letters of appointment for directors setting out the key terms and conditions ~~relative to~~ of their appointment.

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with ~~the committees'~~ their authority and duties.

Code Provisions

D.2.1 Where board committees are established to deal with matters, the board should ~~prescribe~~ give them sufficiently clear terms of reference to enable ~~such committees~~ them to ~~discharge~~ perform their functions properly.

D.2.2 The terms of reference of board committees should require ~~such committees~~ them to 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).

D.3 Corporate Governance Functions

Code Provisions

D.3.1 The terms of reference of the board (or a committee or committees performing this function) should include at least:

- (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the issuer'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; and
- (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

D.3.2 The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Principle

The board should ~~endeavour to maintain~~ be responsible for maintaining an ongoing dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with ~~shareholders~~ them and encourage their participation.

Code Provisions

E.1.1 ~~In respect of~~ For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.

Note: An example of a substantially separate issue is the nomination of persons as directors. Accordingly, each ~~such~~ person should be nominated by means of a separate resolution.

E.1.2 The chairman of the board should attend the annual general meeting, ~~and~~ He should also invite ~~arrange for~~ the chairmen of the audit, remuneration, ~~and~~ nomination ~~and any other~~ committees (as appropriate) to attend. ~~or in the~~ In their absence, ~~of the chairman of such committees,~~ he should invite another member of the committee or failing this his duly appointed delegate, to attend. ~~be~~ These persons

should be available to answer questions at the annual general meeting. 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~~ requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

E.1.3 The issuer should arrange for the notice to shareholders to be sent ~~in the ease of~~ for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days ~~in the ease of~~ for all other general meetings.

E.1.4 The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.

E.2 Voting by Poll

Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Code Provisions

E.2.1 The chairman of a meeting should ~~at the commencement of the meeting~~ ensure that an explanation is provided of the detailed procedures for conducting a poll and ~~then~~ answer any questions from shareholders ~~regarding on~~ voting by ~~way of~~ a poll.

F. COMPANY SECRETARY

Principle

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 on governance matters and should also facilitate induction and professional development of directors.

Code Provisions

F.1.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. Where an issuer engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the issuer whom the external provider can contact.

F.1.2 The board should approve the selection, appointment or dismissal of the company secretary.

Note: A board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution.

F.1.3 The company secretary should report to the board chairman and/or the chief executive.

F.1.4 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.

CORPORATE GOVERNANCE REPORT

MANDATORY DISCLOSURE REQUIREMENTS

~~2.~~ ~~Listed issuers shall~~ To provide transparency, the issuers must include the following information for the accounting period covered by the annual report and any significant subsequent events pertaining to the following information for any subsequent the period up to the date of publication of the annual report, to the extent that is practicable possible:

(a)G. CORPORATE GOVERNANCE PRACTICES

- ~~(ia)~~ a narrative statement of explaining how the listed issuer has applied the principles in the Code, providing explanation which enables enabling its shareholders to evaluate how the principles have been applied;
- ~~(iib)~~ a statement as to whether the listed issuer meets the code provisions in the Code. If a listed an issuer has adopted its own code that exceeds the code provisions set out in the Code, such listed issuer it may draw attention to such this fact in its annual report; and
- ~~(iiic)~~ in the event of for any deviation from the code provisions set out in the Code, details of such the deviation during the financial year (including considered reasons for such deviations).

(b)H. DIRECTORS' SECURITIES TRANSACTIONS

~~In respect of~~ For the Model Code set out in Appendix 10:

- ~~(ia)~~ whether the listed issuer has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code;
- ~~(iib)~~ having made specific enquiry of all directors, whether the directors of the listed issuer have complied with, or whether there has been any non-

compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions; and

- (iii) ~~in the event of~~ for any non-compliance with the required standard set out in the Model Code, if any, details of such these non-compliance and an explanation of the remedial steps taken by the ~~listed~~ issuer to address them such non-compliance.

(e)I. BOARD OF DIRECTORS

~~Details in relation to the board of directors of listed issuers, which include:~~

- (ia) ~~composition~~ Composition of the board, by category of directors, ~~of the listed issuer,~~ including name of chairman, executive directors, non-executive directors and independent non-executive directors;
- (iib) number of board meetings held during the financial year;
- (iiic) ~~individual~~ attendance of each director, ~~on a named basis,~~ by name, at the board and general meetings;

Notes: 1 Subject to the issuer's constitutional documents and the law and regulations of its place of incorporation, attendance by a director at a meeting by electronic means such as telephonic or video-conferencing may be counted as physical attendance.

2 If a director is appointed part way during a financial year, his attendance should be stated by reference to the number of board meetings held during his tenure.

- (d) for each named director, the number of board or committee meetings he attended and separately the number of board or committee meetings attended by his alternate. Attendance at board or committee meetings by an alternate director should not be counted as attendance by the director himself;
- (ive) a statement of the respective responsibilities, accountabilities and contributions of the board and management. In particular, a statement of how the board operates, including a high level statement of which on the types of decisions are to be taken by the board and which are to be those delegated to management;
- (vf) details of non-compliance (if any) with rules 3.10(1) and (2), and 3.10A and an explanation of the remedial steps taken ~~by the listed issuer~~ to address such non-compliance. This should cover non-compliance with relating to appointment of a sufficient number of independent non-executive directors and appointment of and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, respectively;

Note: ~~Listed issuers are reminded of their obligation to comply with rules 3.10(1) and (2). Failure to comply with such requirements constitutes a breach of the Exchange Listing Rules.~~

- (vii) reasons why the ~~listed~~ issuer considers an independent non-executive director to be independent where he/she fails to meet one or more of the guidelines for assessing independence set out in rule 3.13; ~~and~~
- (viii) relationship (including financial, business, family or other material/relevant relationship(s)), if any, ~~among~~ between board members of the board and in particular, between the chairman and the chief executive officer; ~~and~~
- (i) how each director, by name, complied with A.6.5.

(d)J. CHAIRMAN AND CHIEF EXECUTIVE

- (ia) The identity of the chairman and chief executive officer; and
- (ib) whether the roles of the chairman and chief executive officer ~~are segregated~~ separate and are not exercised by the same ~~different~~ individuals.

(e)K. NON-EXECUTIVE DIRECTORS

The term of appointment of non-executive directors.

(f)L. Remuneration of directors BOARD COMMITTEES

The following information ~~relating to~~ for each of the directors' remuneration policy committee, nomination committee and audit committee, and corporate governance functions:

- (ia) the role and function of the ~~remuneration committee (if any) or the reason(s) for not having a remuneration committee;~~
- (ib) the composition of the ~~remuneration committee~~ and whether it comprises independent non-executive directors, non-executive directors and executive directors (if any) (including their names and identifying in particular the chairman of the remuneration committee);
- (ic) the number of meetings held by the ~~remuneration committee or the board of directors (if there is no remuneration committee)~~ during the year to discuss ~~remuneration related~~ matters and the record of ~~individual~~ attendance of members, ~~on a named basis~~ by name, at meetings held during the year; and
- (id) a summary of the work during the year, including:
 - (i) for the remuneration committee, determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee ~~or board~~

~~of directors (if there is no remuneration committee) during the year. Disclose which of the two models of remuneration committee described in B.1.2(c) was adopted;~~

- ~~(ii) for the nomination committee, determining the policy for the nomination of directors, performed by the nomination committee or the board of directors (if there is no nomination committee) during the year. The nomination procedures and the process and criteria adopted by the nomination committee or the board of directors (if there is no nomination committee) to select and recommend candidates for directorship during the year;~~
- ~~(iii) for corporate governance, determining the policy for the corporate governance of the issuer, and duties performed by the board or the committee(s) under D.3.1; and~~
- ~~(iv) for the audit committee, a report on how it met its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results and internal control system, and its other duties under the Code. Details of non-compliance with rule 3.21 (if any) and an explanation of the remedial steps taken by the issuer to address non-compliance with establishment of an audit committee.~~

~~Note: Under Appendix 16, listed issuers are required to give a general description of the emolument policy and long term incentive schemes as well as the basis of determining the emolument payable to their directors.~~

~~(g) — **Nomination of directors**~~

~~The following information relating to the appointment and removal of directors:~~

- ~~(i) — the role and function of the nomination committee (if any);~~
- ~~(ii) — the composition of the nomination committee (if any)(including names and identifying in particular the chairman of the nomination committee);~~
- ~~(iii) — the nomination procedures and the process and criteria adopted by the nomination committee or the board of directors (if there is no nomination committee) to select and recommend candidates for directorship during the year;~~
- ~~(iv) — a summary of the work, including determining the policy for the nomination of directors, performed by the nomination committee or the board of directors (if there is no nomination committee) during the year; and~~
- ~~(v) — the number of meetings held by the nomination committee or the board of directors (if there is no nomination committee) during the year and the record of individual attendance of members, on a named basis, at meetings held during the year.~~

~~(h)~~ **M. AUDITOR'S REMUNERATION**

An analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the ~~listed~~ issuer. ~~Such~~ The analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

~~(i)~~ **Audit committee**

~~The following information relating to the audit committee:~~

- ~~(i) its role, function and composition of the committee members (including names and identifying in particular the chairman of the audit committee);~~
- ~~(ii) the number of audit committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year;~~
- ~~(iii) a report on the work performed by the audit committee during the year in discharging its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results and system of internal control, and its other duties set out in the Code; and~~
- ~~(iv) details of non-compliance with rule 3.21 (if any) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to establishment of an audit committee.~~

~~Note: Listed issuers are reminded of their obligation to comply with rule 3.21. Failure to comply with such requirements constitutes a breach of the Exchange Listing Rules.~~

~~Note: In addition to the disclosure obligations described above, the The code provisions in the Code expect issuers to make certain specified disclosures in the Corporate Governance Report. Where issuers choose not to make the expected disclosure, they must give considered reasons for the deviation in accordance with not doing so under paragraph 2G(a)(iii). For ease of reference, the specific disclosure expectations of the code provisions are ~~set out below:~~~~

- ~~1 an directors' acknowledgement from the directors of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities (C.1.23 of the Code);~~
- ~~2 report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the ~~listed~~ issuer's ability to continue as a going concern (C.1.23 of the Code);~~

- 3 *a statement that the board has conducted a review of the effectiveness of the ~~system of internal control~~ system of the issuer and its subsidiaries (C.2.1 of the Code); and*
- 4 *a statement from the audit committee explaining its recommendation and the reason(s) why the board has taken a different view from ~~that of the~~ audit committee regarding on the selection, appointment, resignation or dismissal of ~~the~~ external auditors (C.3.5 of the Code).*

N. COMPANY SECRETARY

- (a) Where an issuer engages an external service provider as its company secretary, its primary corporate contact person at the issuer (including his/her name and position); and
- (b) details of non-compliance with rule 3.29.

O. SHAREHOLDERS' RIGHTS

- (a) How shareholders can convene an extraordinary general meeting;
- (b) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and
- (c) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

P. INVESTOR RELATIONS

Any significant changes in the issuer's constitutional documents during the year.

RECOMMENDED DISCLOSURES

- 3- The disclosures set out in this paragraph ~~relating to on~~ corporate governance matters are provided for ~~listed~~ issuers' reference. They are not intended to be exhaustive or mandatory. They are ~~rather~~ intended to ~~set out~~ show the areas which ~~listed~~ issuers may comment on in their Corporate Governance Report. The level of details needed varies with the nature and complexity of ~~listed~~ issuers' business activities. ~~Listed issuers~~ Issuers are encouraged to include the following information in their Corporate Governance Report:

(a) Q. SHARE INTERESTS OF SENIOR MANAGEMENT

- (i) The ~~the~~ number of shares held by senior management (i.e. those individuals whose biographical details are disclosed in the annual report).
- (b) ~~Shareholders' rights~~
 - (i) ~~shareholders can convene an extraordinary general meeting;~~

- ~~(ii) the procedures by which enquiries may be put to the board together with sufficient contact details to enable such enquiries to be properly directed; and~~
- ~~(iii) the procedures for putting forward proposals at shareholders' meetings with sufficient contact details.~~

~~(e)~~R. INVESTOR RELATIONS

- ~~(i) any significant changes in the listed issuer's articles of association during the year;~~

- ~~(ii)(a) details~~ Details of shareholders by type and aggregate shareholding;

~~Note: Listed issuers are reminded of their obligation to comply with the requirements in Appendix 16 and Practice Note 5 relating to the disclosure of interests in the listed issuer. They may wish to mention such information in this section of the Corporate Governance Report.~~

- ~~(iii)(b)~~ details of the last shareholders' meeting, including the time and venue, major items discussed and voting particulars ~~as to voting~~;

- ~~(iv)(c)~~ indication of important shareholders' dates in the coming financial year; and

- ~~(v)(d)~~ public float capitalisation ~~as at the end of the year~~ end.

~~(d)~~S. INTERNAL CONTROLS

- ~~(ia)~~ ~~where a listed~~ Where an issuer includes a directors' statement by the directors that they have conducted a review of its internal control system of internal control in the annual report pursuant to under paragraph C.2.1 of the Code, the listed issuer it is encouraged to disclose the following details in such report:

- ~~(aa)~~ an explanation of how the ~~system of internal control~~ system has been defined for the ~~listed~~ issuer;

- ~~(bb)~~ procedures and internal controls for the handling and dissemination of price sensitive information;

- ~~(ee)~~ whether the ~~listed~~ issuer has an internal audit function ~~or the outcome of the review of the need for an internal audit function where the listed issuer has no such function~~;

- ~~(iv)~~ the outcome of the review of the need for an internal audit function conducted, on an annual basis, by an issuer without one (C.2.6 of the Code);

- ~~(dd)~~ how often internal controls are reviewed;

- ~~(eevi)~~ a statement that the directors have reviewed the effectiveness of the system of internal control system and whether they consider ~~the internal control systems~~ them effective and adequate;
- ~~(ffvii)~~ ~~criteria for the directors' criteria for~~ to-assessing the effectiveness of the system of internal control system;
- ~~(ggviii)~~ ~~the period which covered by the review covers~~;
- ~~(hhix)~~ details of any significant areas of concern which may affect shareholders;
- ~~(iix)~~ significant views or proposals put forward by the audit committee; and
- ~~(jjxi)~~ where ~~a listed an~~ issuer has not conducted a review of its internal control system during the year, an explanation why ~~it has not done so not~~; and
- ~~(iib)~~ a narrative statement ~~(including the items under C.2.3 of the Code)~~ of explaining how the ~~listed~~ issuer has complied with the code provisions on internal control during the reporting period ~~(C.2.3 of the Code)~~; and.
- ~~(iii)~~ ~~the outcome of the review conducted on an annual basis, by an issuer without an internal audit function of the need for one (C.2.5 of the Code).~~

(e)T. MANAGEMENT FUNCTIONS

- ~~(i)~~ ~~the~~ The division of responsibility between the board and management.

Note: Issuers may consider that some of the information recommended under paragraphs 3 Q to T is too lengthy and detailed to be included in the Corporate Governance Report. As an alternative to full disclosure in the Corporate Governance Report, issuers may choose to include some or all of this information:

- (a) on its website and highlight to investors where they can:

 - (i) access the soft copy ~~of this information on its website~~ by giving a hyperlink ~~directly~~ to the relevant webpage; and/or*
 - (ii) collect a hard copy of the relevant information free of charge; or**
- (b) where the information is publicly available, by stating where the information can be found. Any hyperlink should be ~~directly~~ to the relevant webpage.*

Appendix 16

DISCLOSURE OF FINANCIAL INFORMATION

...

24. ~~An listed issuer shall~~ must disclose in its financial statements details of director's and past director's emoluments, ~~on a named basis~~ by name as follows:–

...

24.5 References to "director" in paragraph 24 include a chief executive who is not a director.

...

25. ~~An listed issuer shall~~ must disclose in its financial statements information in respect of the five highest paid individuals during the financial year. For this purposes amounts paid or payable by way of commissions on sales generated by the individual are to be ignored. Where all five of these individuals are directors ~~of the listed issuer~~ and the information required ~~to be disclosed~~ by this paragraph has been disclosed in the emoluments of directors ~~as required by paragraph 24 above~~, a statement of this fact shall be made this must be stated and no additional disclosure is required. Where the details of one or more of the individuals whose emoluments were the highest have not been included in the emoluments of directors, the following information ~~shall~~ must be disclosed:–

- (1) the aggregate of basic salaries, housing allowances, other allowances and benefits in kind for the financial year;
- (2) the aggregate of contributions to pension schemes for the financial year;
- (3) the aggregate of bonuses paid or receivable which are discretionary or are based on the ~~listed issuer's~~, the group's or any member of the group's performance (excluding amounts disclosed in (4) and (5) below) for the financial year;
- (4) the aggregate of amounts paid during the financial year or receivable as an inducement to join or upon joining the ~~listed issuer~~;
- (5) the aggregate of compensation paid during the financial year or receivable for the loss of any office in connection with the management of the affairs of any member of the group distinguishing between contractual payments and other payments (excluding amounts disclosed in (1) to (3) above); and
- (6) an analysis showing the number of individuals whose remuneration (being amounts paid under (1) to (5) above) fell within bands from HK\$nil up to HK\$1,000,000 or into higher bands (where the higher limit of the band is an exact multiple of HK\$500,000 and the range of the band is HK\$499,999).

25.1 *It is not necessary to disclose the identity of the highest paid individuals, unless any of them are directors of the ~~listed~~ issuer.*

...

34. ~~An listed issuer shall~~ must include, in respect of the group, a separate Corporate Governance Report prepared by the board ~~of directors~~ on its corporate governance practices. The report must, as a minimum, contain the information required under paragraphs G to P of Appendix 23-14 regarding the accounting period covered by the annual report. To the extent that it is reasonable and appropriate, the issuer may incorporate by reference information in its annual report into the Corporate Governance Report. Any such references must be clear and unambiguous and the Corporate Governance Report must not ~~only~~ contain only a cross-reference without any discussion of the matter.

...

Summary financial reports

50. Summary financial reports of ~~listed~~ issuers ~~shall~~ must comply with the disclosure requirements set out in the Companies (Summary Financial Reports of Listed Companies) Regulation. ~~An listed issuer shall~~ must also disclose the following information in its summary financial report:–

...

- (2) a separate Corporate Governance Report prepared by the board ~~of directors~~ on its corporate governance practices. The report must, as a minimum, contain the information required under paragraphs G to P of Appendix 23-14 regarding the accounting period covered by the annual report. To the extent that it is reasonable and appropriate, this Corporate Governance Report may take the form of a summary of the Corporate Governance Report ~~contained~~ in the annual report and may also incorporate information by reference to its annual report. Any such references must be clear and unambiguous and the summary must not ~~only~~ contain only a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the ~~provisions of the Code on Corporate Governance Code Practices contained in Appendix 14.~~

...

Recommended additional disclosure

52. ~~Listed issuers~~ Issuers are encouraged to disclose the following additional commentary on management discussion and analysis in their interim and annual reports:

...

Note: Issuers should also note the recommended disclosures set out in paragraphs Q to T 3 of Appendix 23-14.

Appendix 24

Headline Categories

The following documents are submitted by issuers for publication on our website as listed companies information: -

...

Schedule 1

Headline Categories for Announcements and Notices

...

Corporate Positions and Committees/Corporate Changes

...

Change in Supervisors

Change in Chief Executive

Change of Audit Committee Member

Change of Remuneration Committee Member

Change in Company Name

List of Directors and their Role and Function

Non-compliance with Audit Committee Requirements

Non-compliance with Remuneration Committee Requirements

....

Non-compliance with INED Requirements or INED Failing to Meet Independent Guidelines

Terms of Reference of the Audit Committee

Terms of Reference of the Remuneration Committee

Terms of Reference of the Nomination Committee

...

Meetings/Voting

...

Results of EGM/SGM

Change in auditors subject to Shareholders' Approval

Schedule 2

Headline Categories for Circulars

...

Meetings/Voting

...

Re-election or Appointment of Director subject to Shareholders' Approval
Change in Auditors subject to Shareholders' Approval

...

¹ Appendix 23 merged with Appendix 14 as above, amendments made marked-up.