

Appendix 10 of Main Board Rules

~~Model Code for Securities Transactions by Directors of Listed Companies~~ MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Basic Principles

1. This ~~model code~~ (both the basic principles and the rules) ~~is seen by the Exchange as providing guidelines rather than rigid rules. It sets a required minimum standard of good practice against which directors issuers should must measure their own general code conduct regarding transactions in securities of their listed issuers. Any breach of such required standard will be regarded as a breach of the Exchange Listing Rules. In principle, a director should must seek to secure that all dealings in which he is or is deemed to be interested be conducted in accordance with this the model code.~~
2. ~~A listed issuer may adopt its own code on terms no less exacting than those set out in this code if it so wishes. Any breach of such code will not be a breach of the Exchange Listing Rules unless it is also a breach of the required standard contained in this code.~~
23. The Exchange regards it as highly desirable that directors of ~~a listed issuers~~ should hold securities in their ~~own companies listed issuer~~.
34. Directors wishing to ~~buy or sell such deal in any securities in a listed issuer~~ must first have regard to the ~~statutory provisions of~~ Parts XIII and XIV of the Securities and Futures Ordinance ~~with respect to insider dealing and market misconduct~~. However, there are occasions where, ~~even though they would not be expressly culpable under the statutory provisions~~, directors should not be free to deal in their ~~companies' listed issuer's securities even though the statutory requirements will not be contravened~~.
45. ~~The purpose of the model code is to provide guidance to directors on when those occasions arise. Rules 5 and 6, which require notification, complement a Hong Kong issuer's obligations under section 352 of the Securities and Futures Ordinance to maintain a register of director's interests in the securities of the issuer and should assist the issuer to meet its statutory duties.~~
5. The single most important thrust of ~~the this model code~~ is that directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Exchange Listing Rules ~~or connected transactions under Chapter 14A of the Exchange Listing Rules~~ or ~~any which are or may be price-sensitive information should must~~ refrain from dealing in the ~~listed issuer's securities as soon as they become aware of them or privy to them until up to the formal announcement proper disclosure of them the information by the issuer by publication in the newspapers or by other appropriate public announcement in accordance with the Exchange Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution tThose directors who are not so privy should be cautioned that there may be unpublished price~~.

sensitive information and that they ~~must~~ not deal in the listed issuer's securities for a similar period.

6. In addition, a director ~~must~~ not make any unauthorised disclosure of confidential information, whether to co-trustees or to any other person (even those to whom he owes a fiduciary duty) or make any use of such information for the advantage of himself or others.

Interpretation

7. For the purpose of this code:

- (a) “dealing” includes, subject to paragraph (d) below, any acquisition, disposal or transfer of, or offer to acquire, dispose of or transfer, or creation of pledge, charge or any other security interest in, any securities of the listed issuer or any entity whose assets solely or substantially comprise securities of the listed issuer, and the grant, acceptance, acquisition, disposal, transfer, exercise or discharge of any option (whether call, put or both) or other right or obligation, present or future, conditional or unconditional, to acquire, dispose of or transfer securities, or any interest in securities, of the listed issuer or any such entity, in each case whether or not for consideration and any agreements to do any of the foregoing, and “deal” shall be construed accordingly;
- (b) “beneficiary” includes any discretionary object of a discretionary trust (where the director is aware of the arrangement) and any beneficiary of a non-discretionary trust;
- (c) “securities” means listed securities and any unlisted securities that are convertible or exchangeable into listed securities and structured products (including derivative warrants), such as those described in Chapter 15A of the Exchange Listing Rules, issued in respect of the listed securities of a listed issuer;
- (d) notwithstanding the definition of “dealing” in paragraph (a) above, the following dealings are not subject to the provisions of this code:
- (i) taking up of entitlements under a rights issue, bonus issue, capitalisation issue or other offer made by the listed issuer to holders of its securities (including an offer of shares in lieu of a cash dividend) but, for the avoidance of doubt, applying for excess shares in a rights issue or applying for shares in excess of an assured allotment in an open offer is a “dealing”;
- (ii) allowing entitlements to lapse under a rights issue or other offer- made by the listed issuer to holders of its securities (including an offer of shares in lieu of a cash dividend);
- (iii) undertakings to accept, or the acceptance of, a general offer for shares in the listed issuer made to shareholders other than those that are concert parties (as defined under the Takeovers Code) of the offeror;
- (iv) exercise of share options or warrants or acceptance of an offer for shares pursuant to an agreement entered into by the director and listed issuer before a period during which the director is prohibited from dealing under this code at the pre-determined exercise price, being a fixed monetary amount determined at the time of grant of the share option or warrant or acceptance of an offer for shares; and

(v) an acquisition of qualification shares by a director where, under the listed issuer's constitutional documents, the final date for acquiring such shares falls within a period during which the director is prohibited from dealing under this code and the director cannot acquire such shares at another time.

~~87.~~ For the purpose of ~~this model~~ code, the grant to a director of an option to subscribe or purchase his company's securities shall be regarded as a dealing by him, if the price at which such option may be exercised is fixed at the time of such grant. If, however, an option is granted to a director on terms whereby the price at which such option may be exercised is to be fixed at the time of exercise, the dealing is to be regarded as taking place at the time of exercise.

~~8.~~ ~~When a director places investment funds under professional management, even where discretion is given, the managers should nonetheless be made subject to the same restrictions and procedures as the director himself in respect of proposed dealings in the issuer's securities.~~

~~9.~~ ~~For the purpose of the model code any dealing by a director in derivative warrants (as defined in rule 15.09) issued in respect of the listed securities of the issuer shall be treated as a dealing in the securities of the issuer.~~

RULES

A. Absolute prohibitions:

1. A director ~~must~~should not deal in any of the securities of the listed issuer at any time when he is in possession of unpublished price-sensitive information in relation to those securities, or where clearance to deal is not otherwise conferred upon him under rule B.8 of this code.

2. A director ~~must~~should not deal in the securities of ~~any other~~ listed issuer when by virtue of his position as a director of ~~his own company another listed issuer,~~ he is in possession of unpublished price-sensitive information in relation to those securities.

3. During the period commencing one month immediately preceding the earlier of:

~~(i)(a)~~ the date of the board meeting (as such date is first notified to the Exchange in accordance with ~~paragraph 12 of its Listing Agreement~~the Exchange Listing Rules) for the approval of the listed issuer's ~~interim or annual~~ results for any year, half-year, quarterly or any other interim period (whether or not required under the Exchange Listing Rules); and

~~(ii)(b)~~ the deadline for the listed issuer to publish ~~its interim or annual results an~~ announcement ~~under its Listing Agreement of its results for any year or half-year under the Exchange Listing Rules, or quarterly or any other interim period (whether or not required under the Exchange Listing Rules),~~

and ending on the date of the results announcement, a director ~~should not purchase~~must not deal in any securities of the listed issuer ~~nor should he sell any such securities~~ unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in section C below. In any event, he must comply with the procedure in rules ~~5B.8 and 6B.9 of this code.~~

Note: *Directors should note that the period during which they are not allowed to deal under rule A.3 of this code will cover any period of delay in the publication of a results announcement.*

~~4.~~ Where a director is a sole trustee, the provisions of this code will apply to all dealings of the trust as if he were dealing on his own account (unless the director is a bare trustee and neither he nor

any of his associates is a beneficiary of the trust, in which case the provisions of this code will not apply).

5. Where a director deals in the securities of a listed issuer in his capacity as a co-trustee and he has not participated in or influenced the decision to deal in the securities and is not, and none of his associates is, a beneficiary of the trust, dealings by the trust will not be regarded as his dealings.
46. The restrictions on dealings by a director contained in this code ~~should~~will be regarded as equally applicable to any dealings by the director's spouse or by or on behalf of any ~~infant~~minor child (natural or adopted) and any other dealings in which for the purposes of Part XV of the Securities and Futures Ordinance he is or is to be treated as interested. It is the duty of the director, therefore, to seek to avoid any such dealing at a time when he himself is not free to deal.
7. When a director places investment funds comprising securities of the listed issuer under professional management, discretionary or otherwise, the managers must nonetheless be made subject to the same restrictions and procedures as the director himself in respect of any proposed dealings in the listed issuer's securities.

B. Notification

58. A director ~~should~~must not deal in any securities of ~~his own company~~the listed issuer without first notifying in writing the chairman (or ~~other a~~director(s) ~~(otherwise than himself) designated by the board appointed~~ for the specific purpose), and receiving a dated written acknowledgement. In his own case, the chairman ~~must~~should first notify the board at a board meeting, or alternatively notify ~~a the other~~director(s) ~~(otherwise than himself) designated by the board appointed~~ for the purpose and receive a dated written acknowledgement before any dealing. The designated director must not deal in any securities of the listed issuer without first notifying the chairman and receiving a dated written acknowledgement.
96. The procedure established within the ~~listed issuer company~~must~~should~~, as a minimum, provide for there to be a written record maintained by the listed issuer that the appropriate notification was given and acknowledged pursuant to rule B.8 of this code, and for the director concerned to have received written confirmation to that effect.
107. Any director of the ~~listed issuer company~~ who acts as trustee of a trust ~~should~~must ensure that his co-trustees are aware of the identity of any company of which he is a director so as to enable them to anticipate possible difficulties. A director having funds under management ~~must~~should likewise advise the investment manager.
118. Any director who is a beneficiary, but not a trustee, of a trust which deals in securities of the listed issuer ~~must~~should endeavour to ensure that the trustees notify him after they have dealt in such securities on behalf of the trust, in order that he in turn may notify the listed issuer. For this purpose, he ~~must~~should ensure that the trustees are aware of the ~~listed issuers companies~~ of which he is a director.
912. The register maintained in accordance with Section 352 of the Securities and Futures Ordinance should be made available for inspection at every meeting of the board.
- 13.40. ~~The~~ directors of a company ~~should~~must as a board and individually endeavour to ensure that any employee of the company or director or employee of a subsidiary company who, because of his office or employment in the company or a subsidiary, is likely to be in possession of unpublished price-sensitive information in relation to the securities of any listed issuer does not deal in those securities at a time when he would be prohibited from dealing by ~~this~~the model code if he were a director.

C. Exceptional circumstances

14. If a director proposes to sell or otherwise dispose of securities of the listed issuer under exceptional circumstances where the sale or disposal is otherwise prohibited under this code, the director must, in addition to complying with the other provisions of this code, comply with the provisions of rule B.8 of this code regarding prior written notice and acknowledgement. The director must satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities. The listed issuer shall give written notice of such sale or disposal to the Exchange as soon as practicable stating why it considered the circumstances to be exceptional. The listed issuer shall publish an announcement in the newspapers immediately after any such sale or disposal and state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director. An example of the type of circumstances which may be considered exceptional for such purposes would be a pressing financial commitment on the part of the director that cannot otherwise be satisfied.

D. Disclosure

15. In relation to securities transactions by directors, a listed issuer shall disclose in its annual and interim reports:

- (a) whether the listed issuer has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in this code;
- (b) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard set out in this code and its code of conduct regarding securities transactions by directors; and
- (c) in the event of any non-compliance with the required standard set out in this code, details of such non-compliance and an explanation of the remedial steps taken by the listed issuer to address such non-compliance.