



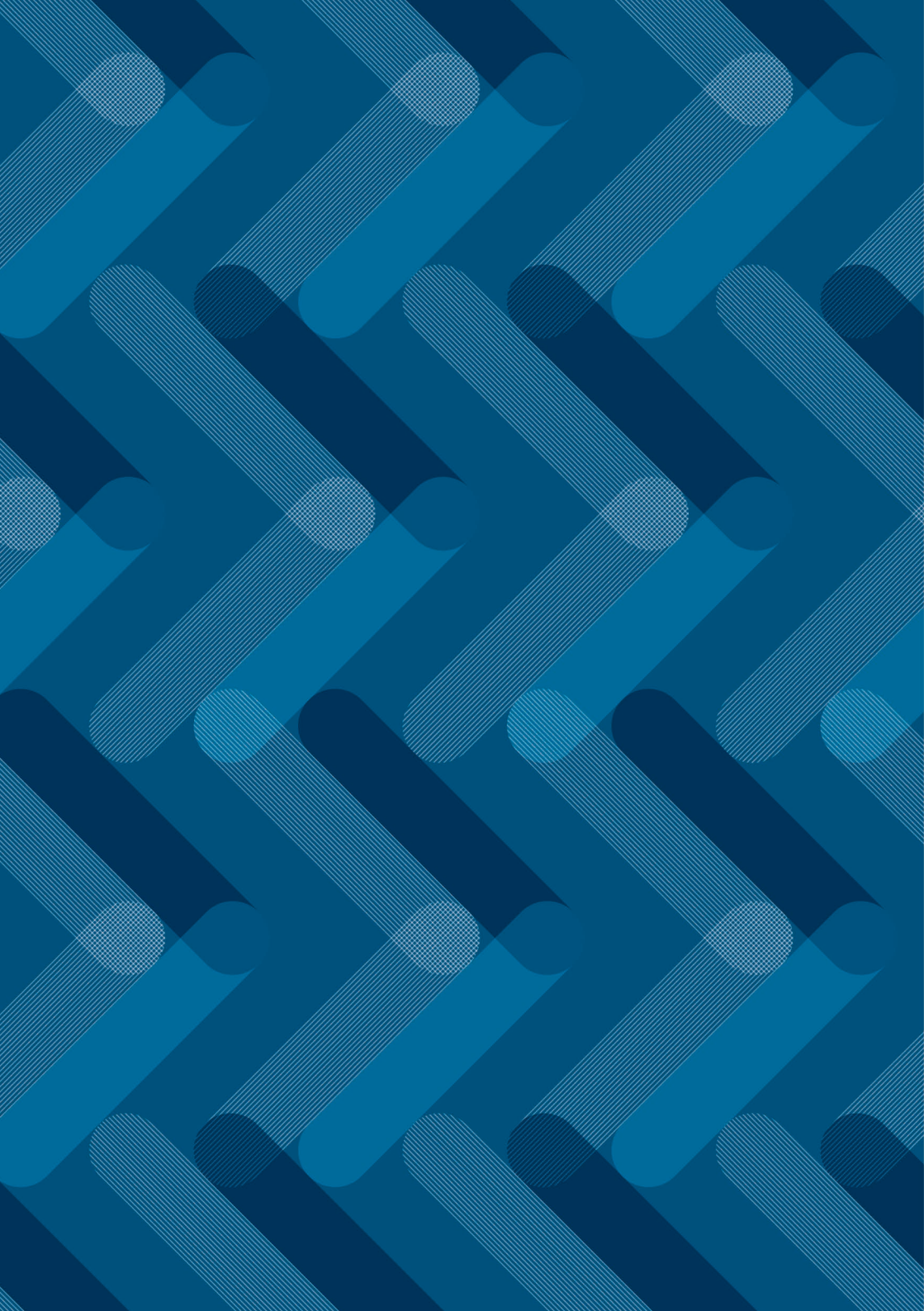
HERBERT
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COMPLIANCE GUIDE FOR COMPANIES LISTED ON THE HONG KONG STOCK EXCHANGE

LEGAL GUIDE

OCTOBER 2019





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Introduction

Corporate governance is increasingly in the regulatory spotlight with greater emphasis being put on promoting good corporate governance practices. The integrity of companies, financial institutions and markets is central to the health and stability of local and global economies. Hong Kong, as a leading international financial centre, attaches great importance to corporate governance.

The Herbert Smith Freehills compliance guide is designed to assist directors, company secretaries, compliance advisers and in-house counsel of Hong Kong Main Board listed companies with regulatory compliance. Directors of listed companies need to fully understand and comply with their responsibilities and must keep up-to-date with legal and regulatory developments. Listed companies need to ensure that they have in place adequate internal controls so as to minimise the risk of the listed company or its directors and other officers facing public censure or civil or criminal liability.

In recent years, there has been increased focus on directors of listed companies, including independent non-executive directors, by Hong Kong's regulators. Enforcement actions against directors broadly all related to breaches of directors' duties but there has been increasing focus on ensuring

that companies have appropriate and effective internal controls. Compliance with the Listing Rules, and other regulatory requirements, is viewed as essential to maintaining an orderly, informed and fair market.

This guide highlights the key obligations for companies listed on the Main Board of the Hong Kong Stock Exchange under the Listing Rules, the Companies Ordinance, the Securities and Futures Ordinance, the Takeovers Code and the Share Buy-backs Code. It does not attempt to give detailed guidance on all of the compliance obligations, nor include all the exemptions that exist. Rather the objective is to highlight the major obligations and the necessary steps to meet these requirements in a way which is easy to read and understand.

References in this guide to the Companies Ordinance only apply to companies incorporated in Hong Kong. The guide does not consider regulatory compliance issues imposed by other jurisdictions. However, generally speaking the provisions imposed by the company legislation in Bermuda and the Cayman Islands are not more onerous than those imposed by Hong Kong's Companies Ordinance.

This guide is a summary only of the relevant legal and regulatory obligations as at 1 October 2019 and should not be relied upon as legal advice.

We trust that you will find the Herbert Smith Freehills compliance guide a useful reference tool and an aid to good corporate governance.

Matt Emsley

Partner, Hong Kong

About us

Herbert Smith Freehills is a leading global law firm with over 4,000 people, including 450 partners, in 27 offices (including associated offices) across Africa, Asia, Australia, Europe, the Middle East and the US.

As one of the world's leading law firms, we advise many of the biggest and most ambitious organisations across all major regions of the globe. Our clients trust us with their most important transactions, disputes and projects because of our ability to cut through complexity and mitigate risk. We offer local insight and seamless cross-border service in all major regions. Positioned to support the major trade flows, we help the world's top companies thrive in the global economy.

Herbert Smith Freehills is the largest fully integrated law firm in Asia Pacific and is one of the world's top ranked and most experienced energy & resources firms; a globally pre-eminent and recognised firm in litigation, arbitration and contentious regulatory work; and an international leader in M&A, private equity, capital markets, infrastructure and banking and finance.

Established in 1982, our Hong Kong office is the hub of Herbert Smith Freehills' Asia operations, and our largest office in the region.

With over 30 years' experience in China, we provide 'on-the-ground' expertise that understands the country's dynamic business environment through long-established offices in Beijing, Hong Kong and Shanghai. We understand Chinese business methods and corporate culture, and possess an in-depth knowledge of the Mainland's regulatory and political landscape.

In addition to our Hong Kong-qualified partnership, our multicultural team in China is drawn from a range of jurisdictions and backgrounds, including Mainland China, England and Wales, the US, Australia and Southeast Asia. Most of our China corporate team members are fluent in English and Mandarin.

Our team has expertise in a broad range of sectors, with particular strengths in energy and resources, infrastructure, telecommunications, media and technology, financial services, manufacturing and consumer goods.

Defined terms

AGM	annual general meeting
CO	Companies Ordinance (Cap. 622, Laws of Hong Kong)
Corporate Governance Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
C(WUMPO)	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong)
Exchange	The Stock Exchange of Hong Kong Limited
INEDs	independent non-executive directors
issuer	a company listed on the Main Board of the Exchange
LR or Listing Rules	Main Board Listing Rules of the Exchange
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
Share Buy-backs Code	SFC Code on Share Buy-backs
TC or Takeovers Code	SFC Code on Takeovers and Mergers

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The contents of this publication, current as at 1 October 2019, are for reference purposes only. They do not constitute legal advice and should not be relied upon as such. Specific legal advice about your specific circumstances should always be sought separately.

Announcements, circulars, trading halts and suspensions

1. Announcements – when required

The Listing Rules require issuers to publish announcements in a wide range of situations. This chapter summarises the main circumstances where an announcement is required. Most announcements do not require the prior approval of the Exchange before they are released.

Overview

Announcements are required in the following situations (set out broadly in order of the sections of this guide):

Announcements, circulars, trading halts and suspensions

Orderly, informed and fair market – Where required by the Exchange to preserve or ensure an orderly, informed and fair market (LR 13.06(2)).

Disclosure of inside information – Any inside information required to be disclosed under Part XIVA of the SFO (LR 13.09(2)(a)). The issuer must also announce information necessary to avoid a false market in its securities, following consultation with the Exchange (LR 13.09(1)).

Response to enquiries – Where the Exchange makes enquiries concerning unusual movements in the price or trading volume of

the issuer's shares, the possible development of a false market or other matters (LR 13.10).

Information disclosed to other stock exchanges – Any information released to another stock exchange on which the issuer is listed (LR 13.10B).

Trading halts or suspension – Normally the reason for the trading halt or suspension and the anticipated timing for it to be lifted (LR 2.07C(1)(iv), LR 6.04 and Practice Note 11).

Quarterly announcements after suspension – After trading has been suspended, quarterly announcements of the issuer's developments (LR 13.24A).

Resumption of trading – As required upon resumption at the direction by the Exchange (LR 6.07).

Notifiable, connected and other transactions

Notifiable transactions – Any notifiable transaction (LR 13.23(1) and LR Chapter 14).

Change to terms of profit guarantee – If the issuer acquires a company or business from a person who guarantees the profits, assets or financial performance for the target, the issuer must announce any change to the terms of the guarantee. The issuer must also announce where actual performance fails to meet the guarantee (LR 14.36B and LR 14A.63).

Connected transactions – Any connected transaction (unless exempt) (LR 13.23(1) and LR Chapter 14A).

Advances, financial assistance and guarantees to third parties – When the advance, financial assistance or guarantee exceeds 8% under the assets ratio defined in LR 14.07(1) or when such amounts increase beyond set thresholds (LRs 13.13 to 13.16).

Pledged shares by controlling shareholder – If the controlling shareholder has pledged its shares to secure obligations of the issuer (LR 13.17).

Loan agreements – If the issuer enters into a loan agreement which imposes performance obligations on any controlling shareholder (LR 13.18) or where the issuer breaches the terms of any significant loan (LR 13.19).

Takeover offers – Once the issuer makes or receives a takeover offer (LR 13.23(2), Takeovers Code).

Consideration issue – Any consideration issue (LR 7.31).

Controlling shareholder's intentions regarding excluded business – If there is a change in any controlling shareholder's intention regarding any excluded business following listing (LR 8.10).

Pledge of shares by controlling shareholders following new listing – Where the issuer is informed of any pledge or charge of shares by a controlling shareholder during the lock up period following a new listing (LR 10.07(2)).

Accounts, auditors and distributions

Preliminary announcement of annual or interim results – At least seven clear

business days before any board meeting to approve the publication of annual or interim results (LR 13.43) and after the board approval (LR 13.45(3) and LR 13.49). If the issuer is unable to announce its preliminary results, it must announce why and comply with the requirements as soon as possible (LR 13.49(3) and (6)).

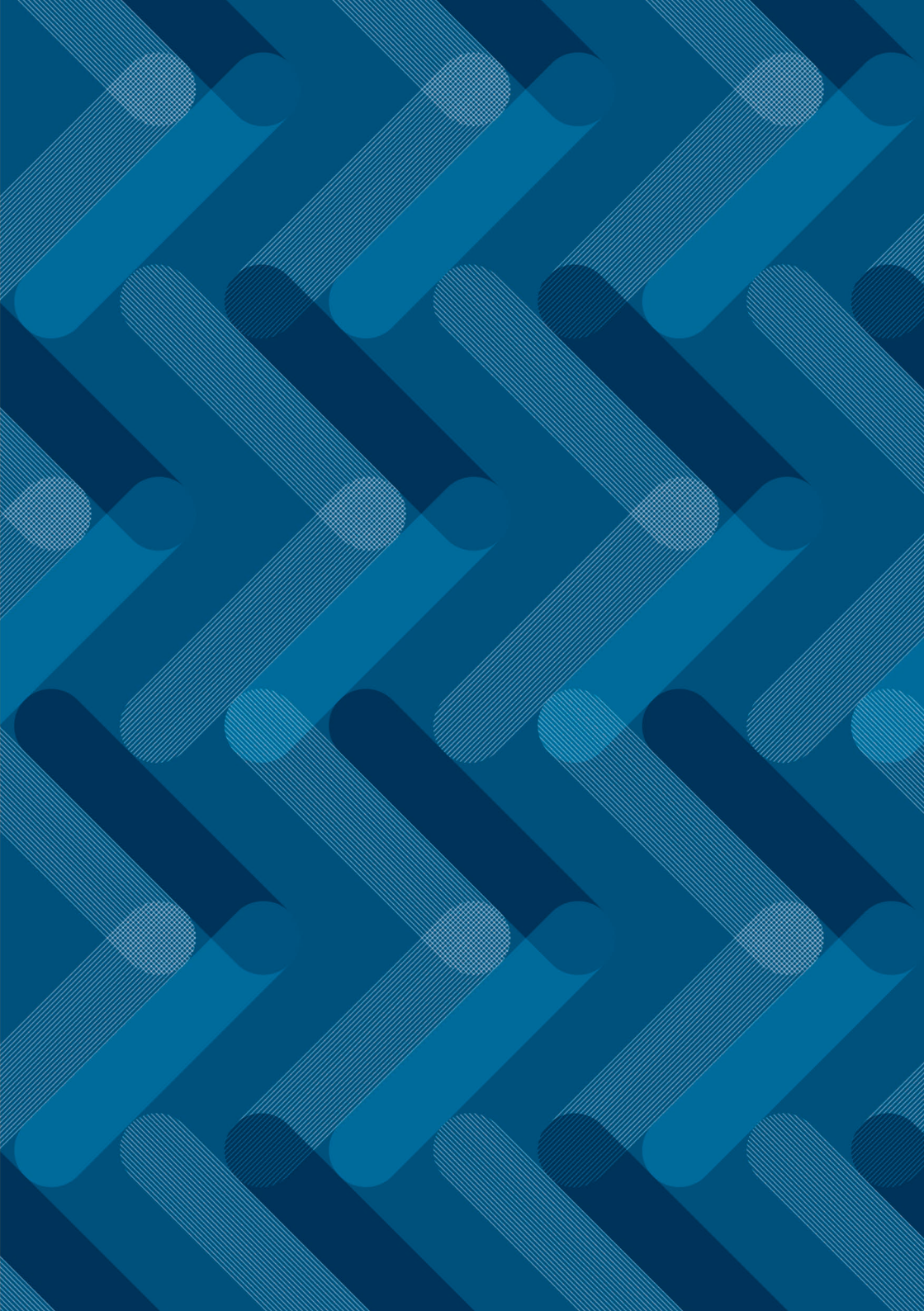
Revision of financial reports – Any revisions to interim, annual or summary financial reports, with reasons and the impact (LR 13.51(7)).

Financial year end – Any change in the financial year end (LR 13.51(4)).

Auditors – Any change of auditors (LR 13.51(4)).

Profit forecasts – During a profit forecast period, material matters which impact on profit forecasts, for instance, events which impact on the assumptions upon which a forecast is based or non-ordinary course profits or losses of the issuer which were not anticipated in the profit forecast (LR 13.24B).

Dividends – At least seven clear business days before any board meeting held to consider declaring, recommending or paying a dividend (LR 13.43), immediately after approval of a dividend or any decision not to declare an expected dividend (LR 13.45) and if there is any change in the expected payment date (LR 13.45, note 3).



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