

## Appendix 10

### Model Code for Securities Transactions by Directors of Listed Companies

#### 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 minimum standard of good practice against which issuers should measure their own general code. In principle, a director should seek to secure that all dealings in which he is or is deemed to be interested be conducted in accordance with the model code.
2. The Exchange regards it as highly desirable that directors of listed issuers should hold securities in their own companies.
3. Directors wishing to buy or sell such securities must first have regard to the statutory provisions of the Securities (Insider Dealing) Ordinance. 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' securities.
4. 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 29 of the SDI 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 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 which are or may be price-sensitive should refrain from dealing in the issuer's securities as soon as they become aware of them or privy to them up to the formal announcement of them by the issuer by publication in the newspapers or by other appropriate public announcement. Those directors who are not so privy should be cautioned that there may be price-sensitive information and that they should not deal in the issuer's securities for a similar period.
6. In addition, a director should 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.
7. For the purpose of the 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 should not deal in any of the securities of the issuer at any time when he is in possession of unpublished price-sensitive information in relation to those securities.

2. A director should not deal in the securities of any other listed issuer when by virtue of his position as a director of his own company, 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) the date of the board meeting (as such date is first notified to the Exchange in accordance with paragraph 12 of its Listing Agreement) for the approval of the issuer's interim or annual results; and
  - (ii) the deadline for the issuer to publish its interim or annual results announcement under its Listing Agreement,

and ending on the date of the results announcement, a director should not purchase any securities of the issuer nor should he sell any such securities unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met. In any event he must comply with the procedure in rules 5 and 6.

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

4. The restrictions on dealings by a director contained in this code should be regarded as equally applicable to any dealings by the director's spouse or by or on behalf of any infant child and any other dealings in which for the purposes of the SDI 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.

#### **B. Notification**

5. A director should not deal in any securities of his own company without first notifying the chairman (or other director(s) appointed for the specific purpose), and receiving a dated written acknowledgement. In his own case the chairman should first notify the board at a board meeting, or alternatively notify the other director(s) appointed for the purpose and receive a dated written acknowledgement.
6. The procedure established within the company should, as a minimum, provide for there to be a written record maintained by the issuer that the appropriate notification was given and acknowledged, and for the director concerned to have written confirmation to that effect.
7. Any director of the company who acts as trustee of a trust should 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 should likewise advise the investment manager.
8. Any director who is a beneficiary, but not a trustee, of a trust which deals in securities of the issuer 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 issuer. For this purpose he should ensure that the trustees are aware of the companies of which he is a director.
9. The register maintained in accordance with Section 29 of the SDI Ordinance should be made available for inspection at every meeting of the board.
10. The directors of a company should 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 the model code if he were a director.
11. Every director shall notify to the Exchange and the company his interests in and dealings in warrants to subscribe for equity securities of the company at the same time and in the same manner as if the provisions of the SDI Ordinance relating to interests in shares were extended to include interests in rights to subscribe for shares.