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Skadden

Hong Kong Regulatory Update

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This Hong Kong regulatory update provides a brief overview of the principal Hong Kong regulatory developments in the preceding three months relevant to companies listed or proposed to be listed on The Stock Exchange of Hong Kong Limited (**HKEx**) and their directors, management and advisers. The updates include HKEx announcements and rule or guidance changes, Securities and Futures Commission (**SFC**) decisions and updates, and both HKEx and SFC enforcement-related news. In this update we cover:

- HKEx issues new guidance regarding trading halts;
- HKEx updates its guidance on dividends *in specie* of interests in subsidiaries;
- HKEx issues new guidance on the continuing obligations of issuers of listed debt securities;
- HKEx revises its guidance on conditions for waivers from compliance with financial statement requirements in Listing Rule 4.04(1);
- HKEx updates FAQ relating to disclosure of financial information to conform with new Companies Ordinance;
- HKEx reports on implementation of Corporate Governance Code and Corporate Governance Report;
- SFC reminds listed companies of various issues in Takeovers Bulletin Issue No. 34; and
- recent enforcement actions and penalties.

We also remind issuers and other parties of the following requirements that will come into effect for financial reporting periods commencing on or after 1 January 2016 (discussed in more detail at the end of this update):

- the risk management and internal control requirements of the Corporate Governance Code and Corporate Governance Report; and
- disclosure of additional financial information in alignment with the requirements of the Companies Ordinance and HK Financial Reporting Standards.

HKEx Issues New Guidance Regarding Trading Halts

The HKEx has recently begun to tighten up its practice of granting trading halts, limiting them to situations that the HKEx deems are necessary to prevent a false or disorderly market. To clarify its practice, the HKEx recently issued Guidance Letter HKEx -GL83-15. The guidance letter explains that any trading halt should be kept to a period that is absolutely necessary to ensure investors are not denied reasonable access to the

market. Helpfully, the guidance letter includes the "decision trees" that the HKEx will adopt when considering any request to grant a trading halt. These decision trees are included as an appendix to this update.

In the guidance letter, the HKEx reminds listed companies that they must release an announcement (including the reason of the trading halt) promptly after a trading halt is effected to inform the market of the reason for its trading halt. If a trading halt cannot be avoided and significant time is needed to prepare and release the relevant material information, listed companies should publish periodic updates on their progress towards preparing information disclosure and trading resumption. Listed companies also are reminded of their obligation under the Securities and Futures Ordinance (**SFO**) to disclose inside information as soon as reasonably practicable, irrespective of whether there is a trading halt in effect.

HKEx Updates Its Guidance on Dividends *In Specie* of Interests in Subsidiaries

When Listing Decision LD75-4 initially was published in 2009, the HKEx was of the opinion that whether distribution *in specie* in a subsidiary constitutes a "transaction" under the disclosable and connected transactions regime depended on whether the distribution is "fair to all shareholders and whether the persons proposing the distribution have an interest different from other shareholders." The principal concern of the HKEx was that the distribution of unlisted assets would leave minority shareholders with no liquid market to realize value from the distribution, and that they would effectively end up either holding unlisted shares in the subsidiary, or selling them to the parent shareholder. The HKEx mandated that in such circumstances a special general meeting of shareholders was required to approve any such dividend.

In the recent update, the HKEx expressed the view that some recent distributions *in species* by listed companies were "tantamount to delistings of the assets to be distributed and accordingly, shareholders should be afforded the same level of protection available for a withdrawal of listing." As such, in the view of the HKEx, where a disposal of the assets by a listed company amounts to a very substantial disposal under the Hong Kong Listing Rules, the proposed distribution also would be subject to the requirements applicable to a withdrawal of listing, including (1) prior approval of the distribution by 75 percent of the independent shareholders, with no more than 10 percent of the shareholders voting against the resolution; and (2) the company's shareholders (other than the directors, CEO and controlling shareholders) should be offered a reasonable cash alternative or other reasonable alternative for the distributed assets. Listed companies that intend to conduct significant distributions of unlisted assets are encouraged to consult the HKEx at an early stage.

HKEx Issues New Guidance on the Continuing Obligations of Issuers of Listed Debt Securities

The HKEx has issued new guidance to remind issuers and guarantors of listed debt securities of their continuing obligations. To summarize, the issuers and guarantors should announce (1) any information that is necessary to avoid a false market; (2) any inside information (as such term is defined in the SFO); (3) any information that may have a material effect on the guarantor's ability to meet the obligations under the guaranteed debt securities; (4) any public disclosure made on another stock exchange about the debt securities; and (5) aggregate redemptions or cancellations of debt securities exceeding 10 percent and every subsequent 5 percent interval of an issue.

The HKEx's guidance is that where equity securities of issuers or guarantors also are listed, the issuer should make an assessment on whether the announcement published in respect of equity securities is relevant to the debt securities. If such information has an impact on the debt securities, an announcement should be published under the debt counter using debt stock codes, in addition to the equity counter on the hkexnews.hk website. The HKEx also notes that in some cases where trading in both equity and debt securities is suspended, an announcement is issued only under the equity counter and reminds the issuers or guarantors to also issue under an announcement under the debt counter.

Under the guidance, the HKEx also encourages (but does not impose as a mandatory requirement) that issuers or guarantors of debt securities submit electronic copies of financial accounts or provide the link of the website to the HKEx (if such financial accounts are published on the web). The HKEx also reminds debt issuers to notify the HKEx of any change of authorized representatives and their contact details by completing the prescribed authorized representative form.

HKEx Revises Its Guidance on Conditions for Waivers From Compliance With Financial Statement Requirements in Listing Rule 4.04(1)

In September 2015, the HKEx revised its guidance letter GL25-11 with respect to the conditions for waivers from strict compliance with Main Board Rule 4.04(1) and GEM Rules 7.03(1) and 11.10 (the **Relevant Waivers**).

Listing applicants usually apply for the Relevant Waivers when they have practical difficulty in producing audited accounts for the latest financial year if they issue listing documents shortly after the year-end. The HKEx has made clear in this round of revision that:

- it will not automatically grant the Relevant Waivers and the gap between the applicant's latest financial year-end, and the proposed listing date *must not* exceed three months when the Relevant Waivers are to be considered;

- the Relevant Waivers would not likely be granted if there is a downward trend in an applicant's recent business performance to the extent that it may not meet the minimum profit requirement without the Relevant Waivers being granted; and
- where there are material adverse changes in an applicant's performance (*e.g.*, revenue, net profit and/or net profit margin), the HKEx may require enhanced disclosure in the listing document, including (1) a profit/loss forecast; (2) a qualitative analysis of the material adverse changes in the applicant's performance since the date to which the latest audited accounts have been made up to the latest practicable date and how it compares with the previous period; (3) the reasons for the material adverse changes; and (4) comment on whether the material adverse changes were one-off and not likely to recur in the future.

HKEx Updates FAQ Relating to Disclosure of Financial Information to Conform With New Companies Ordinance

The HKEx has added a frequently asked question (**FAQ**) in its FAQ Series 31 to clarify the disclosure requirements under section 436 of the Companies Ordinance (Cap. 622) (the **New CO**) for a Hong Kong-incorporated listed company publishing its annual/interim/quarterly results announcements, financial reports, circulars and listing documents.

The HKEx clarifies in the new FAQ that Hong Kong-incorporated listed companies must comply with the following disclosure requirements under section 436(3) of the New CO:

- include a statement indicating that the statement of comprehensive income for a full financial year and/or the statement of financial position at a financial year-end (the **Statements**) presented in the account are not statutory financial statements under the New CO; and
- disclose whether (1) an auditor's report had been prepared; and (2) the auditors gave a qualified or modified audit opinion on the Statements.

The new FAQ also references Accounting Bulletin 6, "Guidance on the Requirements of Section 436 of the Hong Kong Companies Ordinance Cap. 622," issued by Hong Kong Institute of Certified Public Accountants.

HKEx Reports on Implementation of Corporate Governance Code and Corporate Governance Report

On 27 November 2015, the HKEx published the findings of its latest review of listed companies' corporate governance practices, which are not mandatory practices but are subject to a "comply or explain" regime. The review involved analyzing the disclosures made by 1,237 companies in their 2014 annual reports, covering the financial period from 1 January to 31 December 2014. The review noted that:

- 35 percent of companies complied with all of the Code Provisions (**CPs**) of the Corporate Governance Code; and
- 98 percent of companies complied with 70 or more CPs, out of 75.

The HKEx noted that companies with a larger market capitalisation achieved a higher overall compliance rate than those with a smaller market capitalisation. The HKEx expressed concern that there was room for companies to improve the quality of the explanations they provided for divergence from the CPs.

The five CPs with the lowest compliance rates were:

- separation of the roles of chairman and chief executive;
- non-executive directors' attendance at general meetings;
- non-executive directors being appointed for a specific term, subject to re-election;
- chairman's attendance at annual general meeting (**AGM**); and
- establishment of a nomination committee that is chaired by the chairman of the board or an independent non-executive director.

With respect to absences from AGMs, the HKEx noted that instead of merely stating that the absentees had other commitments, companies should explain the efforts made and the specific reasons for the relevant directors' non-attendance.

Companies are reminded that the amendments relating to the internal control section of the Code will apply to issuers' accounting periods beginning on or after 1 January 2016.

SFC Reminds Listed Companies of Various Issues in Takeovers Bulletin Issue No. 34

The SFC's recently published bulletin was aimed at helping participants in Hong Kong's financial market better understand the Codes on Takeovers and Mergers and Share Buy-backs (the **Takeovers Code**). Some of their recent notes to market participants are set out below.

Independent Vote Required to Approve Not Just Whitewash Waivers but Also Underlying Transactions

Note 1 on dispensations from Rule 26 of the Takeovers Code provides that where the issue of consideration shares for acquisitions, cash subscription or a script divided otherwise would result in an obligation to make a mandatory offer under Rule 26 of the Takeovers Code, the SFC normally will waive the obligation if there is an independent vote at a shareholders' meeting.

The SFC emphasized that the independent vote requirement applies not only to the whitewash waiver itself, but also to the underlying transactions. Paragraph 2(e) of Schedule VI provides that the grant of a whitewash waiver will be subject to approval of *the proposals* by an independent vote at a meeting of the holders of any relevant class of securities. This means that in addition to requiring the whitewash waiver to be approved by an independent vote, the underlying transactions that will trigger the general offer obligation under Rule 26.1 also must be approved by an independent vote. The SFC emphasized that this requirement is irrespective of whether the whitewash waiver is waivable condition to the consummation of the transaction, or the underlying transaction requires shareholders' approval under the Hong Kong Listing Rules or other applicable rules and regulations.

Market practitioners also should note that, under the Takeovers Code, an independent vote means a vote by shareholders who are not involved in, or interested in, the underlying transactions in question. The word "involved' is subject to wide interpretation. Shareholders who have participated in the negotiation of, or become a party to (for example, as a warrantor), the underlying transactions likely will be regarded as "involved" and prevented from participating in the independent shareholders' vote.

Update on Post-Publication Review of the Schedule Disclosure Requirement Regime

Since 1 July 2014, the SFC no longer raises comments about compliance with the disclosure requirements in the Schedules to the Takeovers Code during the pre-vetting process unless they also relate to substantive Code issues. Instead, the SFC reviews the document for compliance with the Schedule disclosure requirements after publication and makes appropriate enquiries where necessary. The SFC will continue to adopt this regime.

The SFC noted that while post-vetting certain announcements there were a number of situations where incomplete disclosure necessitated follow-up action, such as clarification announcements. Four areas of concern that the SFC noted in particular were:

- **Shareholdings and dealings under paragraph 4 of Schedule I and paragraph 2 of Schedule II.** The disclosures should cover *all* persons listed in each sub-paragraph. Where no disclosure is required because no such irrevocable commitment or arrangement set out in the sub-paragraphs exists, this fact should clearly be highlighted in the checklists of compliance with the relevant Schedule disclosure requirements.
- **Financial information under paragraph 6(a) of Schedule II.** This should include disclosures of net profit or loss attributable to minority interests, exceptional items because of size, nature or incidence, amount absorbed by dividends, as well as earnings and dividends per share. The latest published interim or quarterly financial reports also should be included as a Document on Display.
- **Directors' intentions as regards to acceptance or rejection of the offer (or voting intentions on the whitewash transaction) under paragraph 2(vi) of Schedule II.** This statement must be included in the shareholder's document.
- **Directors' service agreements under paragraph 13 of Schedule II.** These include service contracts with the offeree company's associated companies.

The SFC emphasized that Schedule disclosure compliance checklists for submission to the SFC must clearly mark the page number of the publication version of the document (or an appropriate negative statement if the requirement is not applicable because *no such matter or arrangement exists*) against the relevant Schedule requirement.

Reminder to Submit Advanced Drafts of Documents for Vetting

Market participants always should carefully consider whether a document is a Takeovers Code document that is subject to pre-vetting by the SFC before publication.

The SFC noted that in recent cases, issuers or their advisers have submitted poor quality drafts of documents and checklists to the SFC. In some cases, key information including reports required to be included in a shareholder's document remained outstanding until shortly before the dispatch deadline. The SFC noted that some proofs failed to highlight all of the changes made and therefore required more time for the SFC to review, resulting in an unnecessarily long comment process. The SFC has reminded market participants that a draft document should not be submitted for comment unless it is in an advanced form and every effort has been made to comply with the Takeovers Code. The SFC also should be given a reasonable time to review the document and points of difficult or unusual aspects should be drawn to the SFC's attention as early as possible. Market participants should refer to Practice Note 20, which contains useful guidance on announcements and documents under the Takeover Codes.

The SFC reminded market participants that parties who issue Takeovers Code-related announcements and documents that they are ultimately responsible for the information disclosed as well as for compliance with the Takeover Codes and any other

applicable laws and regulations. The "no comment" fax by the SFC should not be taken as a confirmation from the SFC that the announcement or document is fully compliant with the disclosure requirements of the Takeovers Code. Market participants also should be aware of the possible criminal liability arising under Section 384 of the Securities and Futures Ordinance for any false or misleading information contained in such announcements and documents.

Reminder to Consult the SFC in Relation to Employee Benefit Trusts (EBT)

An EBT is a trust established by a company for the purpose of acquiring and holding shares in that company, in order to satisfy awards of shares or options granted to employees under one or more share schemes operated by that company. Note 20 to Rule 26.1 of the Takeovers Code addresses the question of whether the trustees of an EBT are acting in concert with the board of directors or the controlling shareholder of the company.

Note 20 to Rule 26.1 of the Takeovers Code provides that the SFC must be consulted in advance (1) when there is a proposed acquisition of new or existing shares that will lead to the aggregate shareholdings of the directors, or any shareholders acting, or presumed to be acting, in concert with any of the directors and the trustees of an EBT to equal or exceed 30 percent of the voting rights, or if already exceeding 30 percent will increase further; and (2) a shareholder (or a concert group) holds between 30 percent and 50 percent of the voting rights and an EBT proposes to acquire shares. The mere establishment and operation of an EBT will not by itself give rise to a presumption that the trustees are acting in concert with the directors or the controlling shareholder(s). The SFC will consider all relevant factors in considering whether the trustees of the EBT are independent of the directors or controlling shareholder(s), including:

- the identities of the trustees;
- the composition of any remuneration committee;
- the nature of the funding arrangements;
- the percentage of the issued share capital held by the EBT;
- the number of shares held to satisfy awards made to directors;
- the number of shares held in excess of those required to satisfy existing awards;
- the prices at which, method by which and persons from whom existing shares have been or are to be acquired;
- the established policy or practice of the trustees as regards to decisions to acquire shares or to exercise votes in respect of shares held by the EBT;
- whether or not the directors themselves are presumed to be acting in concert; and
- the nature of any relationship existing between a controlling shareholder (or a group of shareholders acting, or presumed to be acting, in concert) and both the directors and the trustees.

The SFC reminded the issuers, EBT trustees and advisers that the SFC must be consulted in advance if an EBT proposes to acquire shares that may have implications under Rule 26.1 of the Takeovers Code, and as the review of these cases is typically time-intensive, early consultation is encouraged.

Recent Enforcement Actions and Penalties

SFC bans the former head of a research department at a securities company for bribery. On 16 November 2015, the SFC announced that it had banned Mr. Gong Yueyue, a former licensed representative to carry on Type 4 (advising on securities) regulated activity under the SFO, from re-entering the industry for 15 years following his conviction by the Eastern Magistracy on 25 February 2015, for an offence of bribery contrary to section 9(1)(a) of the Prevention of Bribery Ordinance (Cap. 201). The court found that Mr. Gong had accepted HK$100,000 to revise the target share price of a listed company upwards in a valuation report he had prepared. Mr. Gong was the former head of the research department at Orient Securities, a securities company. In late 2013, an associate of Mr. Gong asked him to prepare a valuation report on a company listed in Hong Kong (**Company A**). Mr. Gong supervised his subordinate, a researcher at Orient Securities, to compile the report. Between January and March 2014, Gong instructed his subordinate to send three draft valuation reports to the associate, knowing that the associate would show them to the management of Company A. After the draft reports were shown to the management of Company A, the associate indicated to Mr. Gong that the target share price should be revised upwards and Mr. Gong acceded to the suggestion. On the day the valuation report was published, Mr. Gong received HK$100,000 from the associate. Magistrate So Wai-tak sentenced Mr. Gong to imprisonment of one year and ordered that the bribe be confiscated. The magistrate stated that by accepting a bribe for writing a favourable valuable report on a listed company, Mr. Gong did not comply with the company policy of his employer, Orient Securities nor did he meet the standard required of him as a professional.

SFC obtains Disqualification Orders against former directors of First China. First China is a company listed on the Growth Enterprise Market of the HKEx. The SFC obtained orders in the Court of First Instance against Mr. Wang Wenming (former chairman of First China), Mr. Lee Yiu Sun (former chief executive officer of First China) and Mr. Richard Yin Yingeng

(predecessor of Mr. Wang Wenming). The orders disqualified them from acting as directors or managers of a company for seven, five and four years, respectively, and arose from false and misleading statements contained in a clarification announcement (the **Clarification Announcement**) caused to be published by Mr. Wang, Mr. Lee and Mr. Yin. A summary of the background is as follows:

- In 2007, First China acquired GoHi Holdings Ltd. (**GoHi**) from Fame Treasure Ltd. (**Fame Treasure**). Mr. Wang was the majority shareholder of Fame Treasure. At the relevant time, Fame Treasure and Mr. Wang gave a guarantee in favour of First China that the net asset value of First China at completion of the acquisition would not be less than RMB 8 million, failing which Fame Treasure and Mr. Wang would be required to make up the amount of the shortfall. The sale and purchase agreements did not contain any provisions dealing with the scenario where the net asset value of First China would exceed RMB 8 million.
- Before completion of the acquisition, the parties realized that the fair value of the net assets of GoHi acquired by First China amounted to over HK$28 million. A distribution of the excess, being RMB 18,692,000, was made to Fame Treasure before completion of the acquisition in the form of dividend.
- In late 2008, well after completion of the acquisition and the distribution of RMB 18,692,000 to Fame Treasure, parties to the acquisition signed a letter to confirm that before completion of the acquisition, it was their mutual understanding and agreement (the **Mutual Understanding and Agreement**) that if the net asset of GoHi were to exceed RMB 8 million, the excess would be distributed as dividend to Fame Treasure. First China published the Clarification Announcement to disclose the Mutual Understanding and Agreement.

The SFC challenged that the Mutual Understanding and Agreement did not in fact exist on a number of grounds, including that there was no mention of the Mutual Understanding and Agreement in any of the sale and purchase agreements, transaction announcement and the transaction circular; and that the entire agreement clause in the sale and purchase agreements left no room for supplementing the agreement reached between the parties by further oral understandings or agreements. There was also no documentary evidence supporting the existence of the Mutual Understanding and Agreement; there were no minutes or resolutions of any board meetings held by any parties to the acquisition before completion regarding the Mutual Understanding and Agreement; and internal email correspondence of First China's auditors suggested that the Mutual Understanding and Agreement only could have been reached well after completion of the acquisition.

In early 2015, following a contested trial, the court found that Mr. Wang, Mr. Lee and Mr. Yin breached their directors' duties to First China when they agreed to pay the RMB 18,692,000 dividend to Fame Treasure, an amount that First China was not obliged to pay, and ordered them to repay this amount to First China. The court also found that the Mutual Understanding and Agreement was a concoction and the statements contained in the Clarification Announcement concerning the Mutual Understanding and Agreement are false or misleading and that all of Mr. Wang, Mr. Lee and Mr. Yin were involved in causing the Clarification Announcement (and therefore the false or misleading statement contained therein) to be published.

HKEx Listing Committee censures Mr. Xue Wenge (Mr. Xue), a former executive director of Mayer Holdings Limited (Mayer), for breaching the Director's Undertaking. The Listing Committee decided to censure Mr. Xue, a former executive director of Mayer between 30 June 2011 and 9 October 2014, for breach of the obligations in his Declaration and Undertaking given to the HKEx in the form set out in Appendix 5B to the Listing Rules (the **Declaration and Undertaking**) by failing to cooperate with a regulatory investigation by the HKEx. The Listing Committee also stated that Mr. Xue's conduct in this matter would be taken into account in assessing his suitability under Rule 3.09 of the Listing Rules in the event that he should wish to become a director of another issuer in the future.

Trading of Mayer's shares has been suspended since 9 January 2012. The Listing Department was unable to contact Mr. Xue via the address that he had provided in the Declaration and Undertaking. As the Declaration and Undertaking provides that the failure of any person to complete his/her Declaration and Undertaking truthfully, completely and accurately, or to observe any of the undertakings made under it, constitutes a breach of the Listing Rules, the Listing Committee also concluded that he had breached his Declaration and Undertaking by providing incomplete and/or inaccurate details with respect to his address.

Listing Committee censures Huazhong In-Vehicle Holdings Company Limited (Huazhong) and its officers for failing to disclose and obtain prior independent shareholders' approval of connected transactions. Huazhong, which was listed in January 2012, issued an announcement dated 2 September 2013 (the **Announcement**), relating to financial assistance (the **Financial Assistance**) provided by Huazhong, made up of certain advances (the **Advances**) and a deposit pledge (the **Deposit Pledge**) to Mr. Zhou Minfeng (**Mr. Zhou**) and his associates, neither of which were documented in written agreements. The Financial Assistance was procured by Mr. Zhou, without the knowledge and involvement of the other

directors at the relevant time, by instructing Huazhong's finance manager to execute the transactions. Some of the Advances were disclosed in the 2012 Annual Report, which were described as "*connected transactions exempt from the independent shareholders*' approval requirement." Huazhong did not consult its compliance adviser when the Financial Assistance was contemplated. Although documents were produced by the compliance adviser showing that it had alerted Huazhong and Mr. Zhou to possible breaches of the Listing Rules in or about September 2012, Huazhong alleged, without supporting evidence, that the Financial Assistance only was discovered by its auditors in March 2013 and August 2013 in the course of preparing the 2012 annual results and 2013 interim results. Huazhong also contended that its directors mistakenly believed that the disclosure in the 2012 Annual Report was sufficient for compliance with the Listing Rules.

At a board meeting held on 30 August 2013, the directors of Huazhong approved and ratified the Financial Assistance and the contents of the Announcement, in which the board stated its view that the financial assistance was provided on normal commercial terms and was therefore exempt from the connected transactions requirements (despite the assistance being unsecured and interest free). The Listing Committee found that the Advances were not provided to the connected persons on normal commercial terms and therefore also were subject to the independent shareholders' approval requirements. By virtue of this finding, the Listing Committee found that Huazhong's statements that the transactions were exempt from the connected transactions requirements were inaccurate and misleading and censured Huazhong and its officers.

The Risk Management and Internal Control Section of the Corporate Governance Code and Corporate Governance Report

Amendments to the Corporate Governance Code and Corporate Governance Report relating to internal controls will come into effect for accounting periods beginning on or after 1 January 2016. The main changes include:

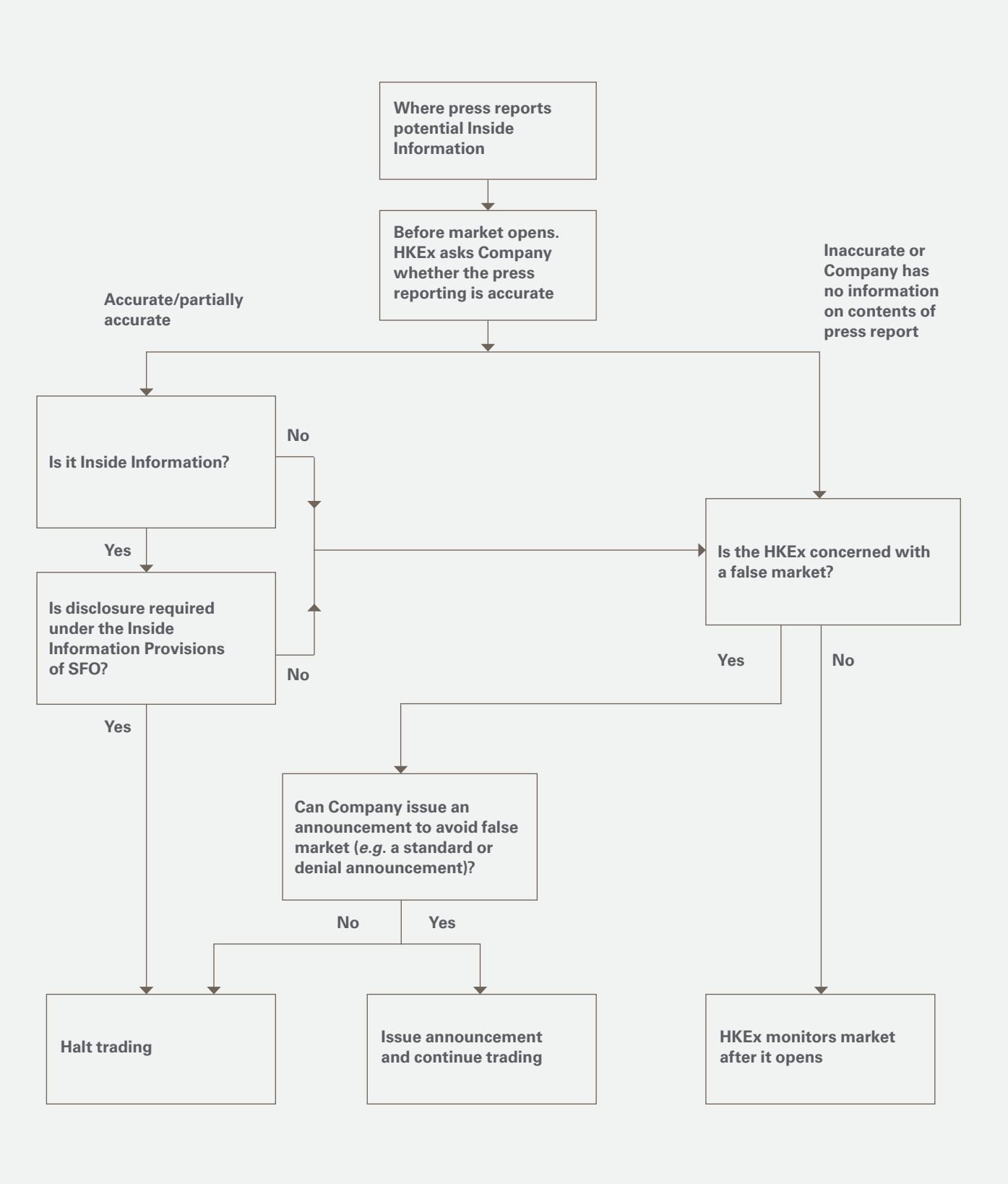
- incorporating risk management into the Corporate Governance Report. This includes that an assurance be given by the management to the board on the effectiveness of risk management systems;
- defining the roles and responsibilities of the board and management (with the term "management" to be determined by companies themselves);
- clarifying that the board has an ongoing responsibility to oversee a company's risk management and internal control systems;
- upgrading certain risk management disclosures to mandatory status, including the annual review of the effectiveness of the company's risk management and internal control systems,
- and disclosures in the Corporate Governance Report; and
- upgrading to a mandatory provision the requirement that companies should have an internal audit function, and those without such function should review the need for one on an annual basis.

Disclosure of Additional Financial Information in Alignment With the Requirements of New CO and HK Financial Reporting Standards

Amendments to the Hong Kong Listing Rules regarding disclosure of financial information with reference to the New CO and Hong Kong Financial Reporting Standards (**HKFRS**) will apply to accounting periods ending on or after 31 December 2015. The main changes include:

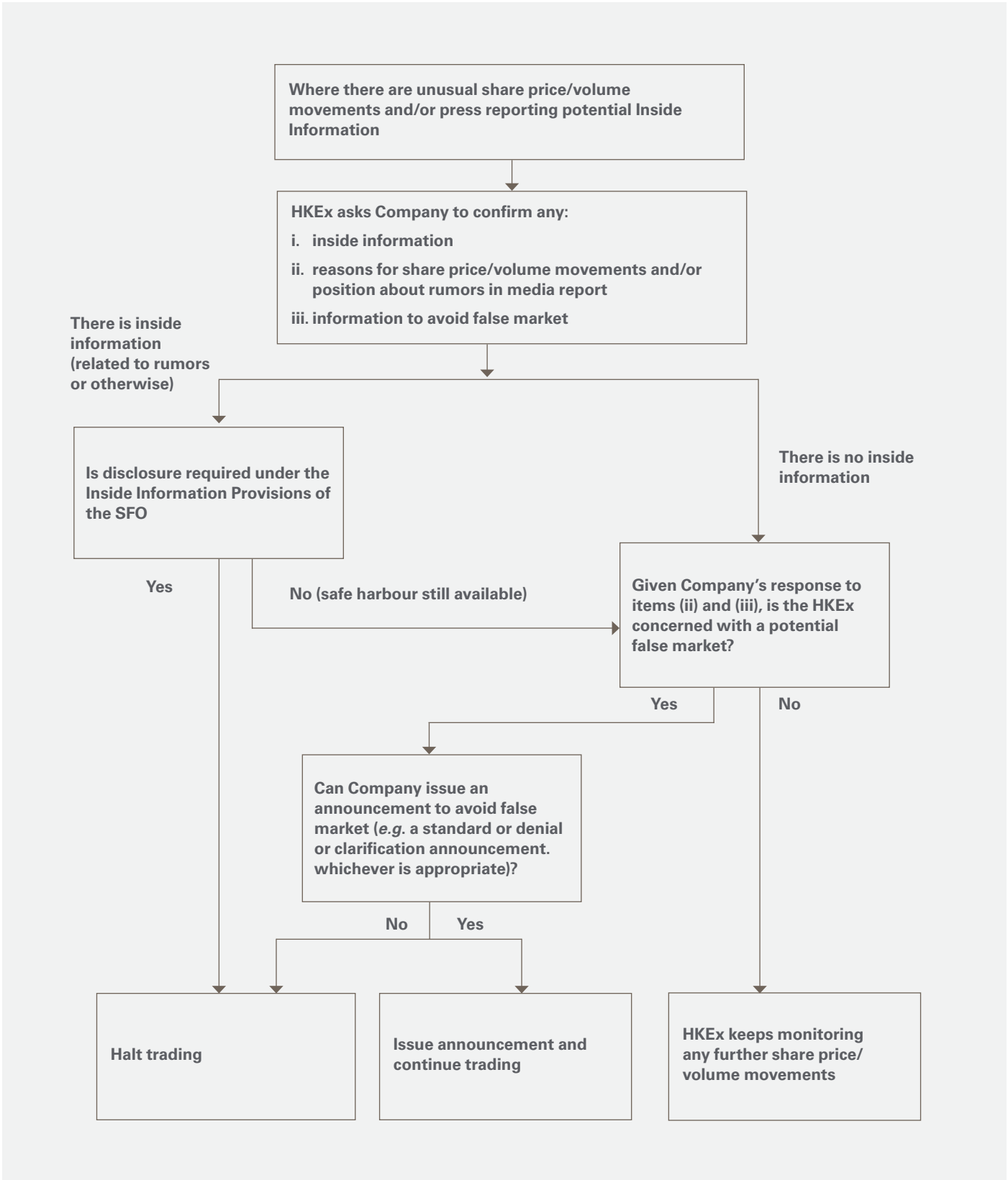
- aligning the requirements for financial information disclosure in Main Board Rules Appendix 16 and equivalent GEM Rules with reference to the disclosure provisions in the CO. This includes streamlining requirements to disclose the names of directors of all subsidiaries and abolishing the requirement to include a business review if the review is included in other parts of an annual report;
- streamlining the disclosure requirements and removing duplications with HKFRS. This includes streamlining financial disclosure required by the Hong Kong Listing Rules and providing guidance on how to present ageing analysis on accounts receivable and payable and repealing certain financial disclosure requirements in relation to financial conglomerates and banking institutions;
- introducing new requirements for companies that revise their published financial reports or results announcements to include prior period adjustments due to correction of material errors, by adding new headline categories for such announcements; and
- making consequential changes due to the enactment of the CO and making minor housekeeping amendments. These include changing the notice period for annual general meetings for companies incorporated in Bermuda and the Cayman Islands to 21 days for annual general meetings and 14 days for other general meetings, or on shorter notice if it accords with the company's articles of association and removal of the use of the term "nominal value."

Is a trading halt appropriate when the HKEx detects a possible leakage of Inside Information before market open?



Source: Guidance letter for trading halts; HKEx Guidance letter; HKEx-GL83-15 (December 2015).

Is a trading halt appropriate where the HKEx detects a possible leakage of Inside Information during trading hours?



Source: Guidance letter for trading halts; HKEx Guidance letter; HKEx-GL83-15 (December 2015).