



弘達金融控股有限公司

HongDa Financial Holding Limited

Suites 3101 - 05, 31/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong
香港灣仔告士打道108號大新金融中心31樓3101-05室
Tel: (+852) 39189100 Fax: (+852) 31522889

INTERNAL GUIDELINES ON INSIDE INFORMATION

(Adopted by the Board on 8 March 2017)

1. INTRODUCTION

- 1.1 This Internal Manual on Inside Information (the “**Manual**”) sets out the standards and practices used by HongDa Financial Holding Limited (the “**Company**”) mainly to comply with its specific obligations under the Securities and Futures Ordinance (Cap.571) (“**SFO**”) in relation to inside information.
- 1.2 This Manual is prepared with reference to the SFO, the Securities and Futures (Amendment) Ordinance 2012 (the “**Amendment Ordinance**”); the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); the Guidelines on Disclosure of Inside Information published in June 2012; and the Guide on Disclosure of Price-Sensitive Information published in January 2002.
- 1.3 On 1 January 2013, the Amendment Ordinance come into effect to provide statutory backing to one of the most important principles in the Listing Rules which impose a general obligation of disclosure of price sensitive, or “inside” information by listed corporations.
- 1.4 The new statutory regime is not expected to impose additional burden on listed companies because the manner of disclosure for inside information is not different from existing practices under the price sensitive information regime under the Listing Rules.
- 1.5 The obligations to disclose inside information under the SFO are separate and distinct from the disclosure requirements under the Listing Rules and those under the Takeovers Code. In practice, it remains unclear how the regulatory

authorities apply the said rules differently from each other. It is also unclear as to whether the Stock Exchange of Hong Kong Limited will harmonize the disclosure thresholds by adopting the inside information test under the SFO.

- 1.6 The Board of Directors (“**Board**”) of the Company will periodically review this Manual with a view to continuously improving the Company’s guidelines on inside information by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

2. WHAT CONSTITUTES MARKET MISCONDUCT?

- 2.1 Market misconduct is defined as: -

- (a) insider dealing;
- (b) false trading;
- (c) price rigging;
- (d) disclosure of information about prohibited transactions;
- (e) disclosure of false or misleading information inducing transactions; and
- (f) stock market manipulation.¹

- 2.2 The Securities and Futures Commission (“**SFC**”) is empowered by the Amendment Ordinance to directly institute proceedings before the Market Misconduct Tribunal (“**MMT**”), without having to first refer the case to the Financial Secretary for his decision, to enforce a new disclosure requirement introduced by the Amendment Ordinance, and to deal with the existing six types of market misconduct under the SFO.

3. DEFINITION OF PRICE-SENSITIVE INFORMATION AND INSIDE INFORMATION

Price-sensitive information

- 3.1 The existing general obligation of disclosure under the Listing Rule requires the Company to inform its investors as soon as reasonably practicable of any price-sensitive information relating to the group which:-

- (1) is necessary to enable them and the public to appraise the position of the group; or

¹ Section 245 of the SFO

- (2) is necessary to avoid the establishment of a false market in its securities; or
- (3) might be reasonably expected materially to affect market activity in and the price of its securities.²

(Please see the non-exhaustive list of price-sensitive information in Appendix I)

Inside information and relevant information

3.2 There are three key elements comprised in the concept of inside information:

- (1) the information about the Company must be **specific**;
- (2) the **information must not be generally known** to that segment of the market which deals or which would likely deal in the Company's securities; and
- (3) the information would, if so known to **likely to have a material effect on the price of the Company's securities**.

3.3 The definition of inside information is the same as that of "relevant information" used in the SFO.³

3.4 In particular, the Company is generally under no obligation to respond to media speculation, market rumours or analysts' reports. However, if the Company has inside information and relies on an exemption (ie. Safe Harbours) to withhold disclosure subject to the preservation of confidentiality, the existence of media speculation, market rumours or analysts' reports about the Company might indicate that matters intended to be kept confidential have leaked.

(Please see the non-exhaustive list of inside information in Appendix II)

4. REPORTING PROCEDURE

4.1 As illustrated above, the Company has adopted a set of reporting procedure for all officers of the Company in dealing with potential price-sensitive information and/or inside information. Employees are required to strictly follow the reporting procedure in a timely manner to ensure such information can be vetted by the Board as soon as practicable:

² Listing Rule 13.09

³ Section 245 of the SFO

- (a) where potential price-sensitive information and/or inside information passes to any staff or employee, that person should immediately report to any of the Directors, senior management, Chief Financial Officer, or Company Secretary of the Company;
- (b) where potential price-sensitive information or inside information passes to any of the directors (including executive directors, non-executive directors and independent non-executive directors), senior management, Chief Financial Officer or Company Secretary, that person should immediately disclose such information to the Board;
- (c) upon receiving such information, the Board should verify the information and consider obtaining legal advice in respect of the Listing Rules and legal requirements and convening a Board meeting as soon as practicable to determine as to whether such information is price-sensitive information and/or inside information.
- (d) prior to the Board meeting, the accessibility to such information should be restricted save as to certain senior staff and professional advisers; and
- (e) the Board meeting will consider as to whether the information is price-sensitive information and/or inside information, whether any exemptions (ie. safe harbours) apply and whether any disclosure or halt trading is required.

5. WHEN AND HOW SHOULD INSIDE INFORMATION BE DISCLOSED

5.1 The Company must, as soon as reasonably practicable after any inside information has come to its knowledge, disclose the information to the public.⁴

5.2 The Company fails to disclose the required inside information if:

- (a) the information disclosed is false or misleading as to a material fact, or is false or misleading through the omission of a material fact; and
- (b) an officer of the Company knows or ought reasonably to have known that, or is reckless or negligent as to whether, the information disclosed is false or misleading as to a material fact, or is false or misleading through the

⁴ Section 307B(1) of the SFO

omission of a material fact.⁵

- 5.3 The Company must disclose any inside information to the public “**as soon as reasonably practicable**” unless the information falls within any of the exemptions (ie. safe harbours).
- 5.4 Before the information is fully disclosed to the public, the Company should ensure that the information is kept strictly confidential. Where the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, it should immediately disclose the information to the public.
- 5.5 If the Company needs time to clarify the details of, and the impact arising from, an event or a set of circumstances before it is in a position to issue a full announcement to properly inform the public, the Company should consider issuing a “holding announcement” which –
- (a) details as much of the subject matter as possible; and
 - (b) sets out reasons why a fuller announcement cannot be made.

The Company should then make a full announcement as soon as reasonably practicable.

- 5.6 There are circumstances where confidentiality has not been maintained and the Company is not able to make an announcement, be it a full announcement or a holding announcement. In such cases, the Company should consider applying for a suspension of trading in its securities until disclosure can be made. The fact that trading in the securities of the Company is suspended in no way lessens the obligations of the Company to disclose inside information to the public as soon as reasonably practicable.

6. EXEMPTIONS

- 6.1 The SFO provides for certain exemptions (or also known as Safe Harbours) which permit the Company to withhold disclosure of inside information under specified circumstances.
- 6.2 The following are the exemptions allowed under the SFO:

⁵ Section 307B(3) of the SFO

- (1) the disclosure is prohibited under, or would constitute a **contravention of a restriction imposed by, an enactment or an order of a court**; or
- (2) the Company **takes reasonable precautions for preserving the confidentiality of the information** and the **confidentiality of the information is preserved**; **AND** one or more of the following applies:
 - (i) the information concerns an **incomplete proposal or negotiation**;
 - (ii) the information is a **trade secret**;
 - (iii) the information concerns **the provision of liquidity support** from the Exchange Fund; or
 - (iv) the disclosure is **waived by the SFC**.⁶

6.3 The Company is not in breach of a disclosure requirement in respect of inside information the confidentiality of which is not preserved if –

- (a) the Company has taken reasonable measures to monitor the confidentiality of the information; and
- (b) the Company discloses the information as soon as reasonably practicable after the Company becomes aware that the confidentiality of the information has not been preserved.

6.4 Reasonable measures may include for example:

- (i) establishing controls for monitoring business and corporate developments and events so that any potential inside information is promptly identified;
- (ii) establishing periodic financial reporting procedures so that key financial and operating data is identified and escalated in a structured and timely manner;
- (iii) maintaining and regularly reviewing a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information;
- (iv) authorizing one or more officer(s) or an internal committee to be notified of any potential inside information and to escalate any such information to the attention of the board;

⁶ Section 307D of the SFO

- (v) maintaining an audit trail of meeting and discussion concerning the assessment of inside information;
- (vi) restricting access to inside information to a limited number of employees on a need-to-know basis and ensuring employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;
- (vii) ensuring appropriate confidentiality agreements are in place when the corporation enters into significant negotiations;
- (viii) disseminating inside information via the electronic publication system operated by the Stock Exchange before the information is related via other channels;
- (ix) designating a small number of officers or executives with the appropriate skills and training to speak on behalf of the Company when communicating with external parties;
- (x) developing procedures to review presentation materials in advance before they are released at analyst' or media briefings;
- (xi) recording briefings and discussions with analysts or the media afterwards to check whether any inside information has been inadvertently disclosed;
- (xii) developing procedures for responding to market rumours, leaks and inadvertent disclosures;
- (xiii) providing regular training to relevant employees to help them understand the Company's policies and procedures as well as their relevant disclosure duties and obligations;
- (xiv) documenting the disclosure policies and procedures of the corporation in writing and keep the documentation up-to-date; and
- (xv) publishing the disclosure policies and procedures of the Company so that the media and other stakeholders understand the corporation's statutory disclosure obligations.

6.5 In the event that the Company decides to rely on one of the exemptions, the Company should prepare a draft announcement to be kept updated ready for publication if it becomes apparent that confidentiality has not been maintained. The Company should also record the reasons for relying on any of the Safe Harbours and the steps taken in preserving and monitoring confidentiality (ie. by way of board minutes).

7. LIABILITY

- 7.1 It is contemplated that the new disclosure regime will be enforced by the SFC through the MMT. The SFC will investigate and if thought fit, refer the matter to the MMT for adjudication or further investigation. Should the MMT find a breach of disclosure requirements, it may make a number of civil orders including but limited to ordering a person to pay to the Government a regulatory fine not exceeding HK\$8,000,000⁷. In the event that a person fails to comply with an order imposed by the MMT, that person may be liable to a fine of HK\$1,000,000 and criminally liable to up to 2 years' imprisonment.⁸
- 7.2 An officer would only have liability if:
- (i) the Company is in breach of a disclosure requirement; and
 - (ii) the officer's intentional, reckless or negligent conduct resulted in the breach.⁹
- 7.3 Officer means a director, manager or secretary of, or any other person involved in the management of the Company.
- 7.4 Assuming the Company has implemented reasonable measures to prevent a breach, an officer who acts in good faith and in accordance with all his fiduciary duties without actual knowledge of the information or involvement in the Company's breach is unlikely to be personally liable under any of the elements discussed above.
- 7.5 Both executive directors and non-executive directors (including NED and INEDs) should exercise due care, skill and diligence to fulfil their roles and obligations. The Board's responsibility for establishing and monitoring key internal control procedures is of particular significance for non-executive directors as this is an area where they are more likely to be directly involved.

⁷ Section 307N of the SFO

⁸ Section 307O of the SFO

⁹ Section 307G(2)(a) of the SFO

APPENDIX I

Non-exhaustive list of price-sensitive information

- (1) Regularly recurring matters (such as financial results and dividends)
- (2) Exceptional matters (such as acquisitions, realisations transactions with connected person)
- (3) Signing an important contract
- (4) Entering into a significant joint venture
- (5) Fund-raising exercises
- (6) Comments on the prospectus for future earnings or dividends
- (7) Release of any projected profits of the group by the Company or the directors
- (8) Entering into an agreement for the issue of options convertible into securities
- (9) A large foreign exchange loss
- (10) Major market upheaval in the industries, countries or regions where the Company has significant operations or transactions
- (11) Premature removal of auditors before end of their term in office
- (12) Cancellation of an agreement which was previously the subject of an announcement
- (13) Resignation of chief executive or directors
- (14) The Company being aware that its auditors will issue a qualified report on its results
- (15) Any change of accounting policy that may have a significant impact on the accounts
- (16) Events beyond the control of the Company and is of the material significance to the Company's business, operations or financial performance

APPENDIX II

Non-exhaustive list of inside information

- (1) Changes in performance, or the expectation of the performance, of the business
- (2) Changes in financial condition
- (3) Changes in control and control agreements
- (4) Changes in directors and supervisors
- (5) Changes in directors' service contracts
- (6) Changes in auditors and any other information related to the auditors' activity
- (7) Changes in the share capital, e.g. new share placing, bonus issue, right issue, share split, share consolidation and capital reduction
- (8) Issue of debt securities, convertible instruments, options or warrants to acquire or subscribe for securities
- (9) Takeovers and mergers (The Company will also need to comply with the Takeovers Codes that include specific disclosure obligations)
- (10) Purchase or disposal of equity interests or other major assets or business operations
- (11) Formation of a joint venture
- (12) Restructurings, reorganizations and spin-offs that have an effect on the Company's assets, liabilities, financial position or profits and losses
- (13) Decisions concerning buy-back programmes or transactions in other listed financial instruments
- (14) Changes to the memorandum and articles (or equivalent constitutional documents)
- (15) Filing of winding up petitions, the issuing of winding up orders or the appointment of provisional receivers or liquidators
- (16) Legal dispute and proceedings
- (17) Revocation or cancellation of credit lines by one or more banks