

## **Midland IC&I Limited**

### **Policy and Procedures on Disclosure of Inside Information**

#### **1. Introduction**

On 1 January 2013, amendments to the Securities and Futures Ordinance ("SFO") (Cap. 571) come into effect to provide for a new Part XIVA under the SFO giving statutory backing to one of the most important principles in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The provisions under Part XIVA impose a general obligation of disclosure of price sensitive, or "inside" information by listed corporations.

The Policy and Procedures on Disclosure of Inside Information (the "Procedures") document the system which is now in place in Midland IC&I Limited (the "Company") and its subsidiaries (collectively the "Group") for the establishment and maintenance of effective internal control and reporting system in relation to inside information. The Procedures ensure that potentially price sensitive, or "inside" information can be promptly identified, assessed and escalated for the attention of the Board of directors of the Company (the "Board") to decide about the need for disclosure, in order to ensure compliance with Part XIVA of the Securities and Futures Ordinance. All staff of the Group must comply with the Procedures.

#### **Part A – Summary of Key Provisions under Part XIVA of the SFO**

#### **2. Meaning of "Inside Information"**

##### **2.1 Statutory Definition**

Section 307A(1) of the SFO states that "inside information", in relation to a listed corporation, means specific information that :-

(a) *is about :-*

(i) *the corporation;*

(ii) *a shareholder or officer of the corporation; or*

(iii) *the listed securities of the corporation or their derivatives; and*

(b) *is not generally known to the persons who are accustomed or would be likely to deal in the listed securities of the corporation but would if generally known to them be likely to materially affect the price of the listed securities."*

## **2.2 Three Key Elements**

There are three key elements comprised in the concept of inside information. They are :-

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

## **3. Examples of Possible Inside Information**

There are many events and circumstances which may affect the price of the corporation's securities, common examples of such events or circumstances where the Company should consider a disclosure obligation arises can be found in Appendix 1.

## **4. When and how should inside information be disclosed?**

### **4.1 Timing - as soon as reasonably practicable**

The Company must disclose any inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in section 307D of the SFO. For this purpose, "as soon as reasonably practicable" means that the corporation should immediately take all steps that are necessary in the circumstances to disclose the information to the public. For example, if a corporation faces an event that might significantly affect its business and operations, the necessary steps which the corporation should immediately take prior to the issue of a public announcement may include ascertaining sufficient details, internal assessment of the matter and its likely impact, seeking professional advice where required and verification of the facts.

### **4.2 Responsibility for compliance and management controls**

Although the disclosure obligation rests with the corporation, the corporation is a legal entity which cannot act on its own. The corporation can only act through its "controlling mind", which encompasses its officers. Therefore, under section 307B(2), the corporation is considered to have knowledge of the inside information when :-

- (a) one or more of its officers knows or ought reasonably to have known that information in the course of performing functions as officers of the corporation;

and

- (b) a reasonable person, acting as an officer of the corporation, would consider that the information is inside information in relation to the corporation.

According to Part 1 Schedule 1 of the SFO, an “officer”, in relation to a corporation, means “a **director, manager or secretary** of, or any other person involved in the management of, the corporation” (“**Officers**”).

It is ultimately the responsibility of the corporation’s officers to ensure that the corporation complies with the disclosure obligation. Officers are obliged to take all reasonable measures to ensure proper safeguards exist to prevent the corporation from breaching the statutory disclosure requirement, which would include the creation and maintenance of appropriate internal control and reporting systems.

If a breach on the part of the corporation is attributable to the failure to take all reasonable measures to ensure that proper safeguards exist by, or to any intentional, reckless or negligent conduct of, any officers, the officers concerned would also be liable (see **s.307G(2)(a) of the SFO**).

#### **4.3 How should inside information be disclosed**

4.3.1 A disclosure must be made in a manner that can provide for equal, timely and effective access by the public to the inside information disclosed (see **s.307B of the SFO**). Information must not be selectively disclosed (such as to analysts, media or certain customers) prior to being announced. Disclosure by way of the electronic publication system operated by the Stock Exchange will satisfy such requirement (see **s.307C(2) of the SFO**); and

4.3.2 the information disclosed shall not be false or misleading as to a material fact, or shall not be false or misleading through the omission of a material fact (see **s.307B(3)(a) of the SFO**)

Before the information is fully disclosed to the public, the corporation should ensure that the information is kept strictly confidential. Where the corporation 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. Safe Harbours**

The SFO provides for Safe Harbours which permit the corporation to withhold disclosure of inside information under specified circumstances. Section 307D of the SFO sets out the Safe Harbours :-

- (1) *A listed corporation is not required to disclose any inside information under section 307B if and so long as the disclosure is prohibited under, or would constitute a contravention of a restriction imposed by, an enactment or an order of a court.*
- (2) *A listed corporation is not required to disclose any inside information under section 307B if and so long as –*
- (a) the corporation takes reasonable precautions for preserving the confidentiality of the information;*
  - (b) the confidentiality of the information is preserved; and*
  - (c) 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 established by the Exchange Fund Ordinance (Cap. 66) or from an institution which performs the functions of a central bank (including such an institution of a place outside Hong Kong) to the corporation or, if the corporation is a member of a group of companies, to any other member of the group;*
    - (iv) the disclosure is waived by the Commission under section 307E(1), and any condition imposed under section 307E(2) in relation to the waiver is complied with.*

If a corporation or any of its officers is subject to an investigation by the ICAC and such investigation constitutes inside information, disclosure would not be required to the extent that it is prohibited statutorily, as under section 30 of the Prevention of Bribery Ordinance (Cap. 201), it is unlawful for a person to disclose details of an investigation of the Independent Commission Against Corruption, except for disclosure matters which are carved out from that prohibition.

The corporation needs to ensure that knowledge of information is restricted to those who need to have access to it and that recipients of the information are aware that the information is confidential and recognise their obligations to maintain the information confidential. Where the information has not been kept confidential or there has been a leak, whether intentionally or inadvertently, the conditions under Section 307D(2) will not be fulfilled and any Safe Harbour will no longer apply.

The requirement to preserve confidentiality under subsection 307D(2)(a) is not breached if information is given to another person who needs the information to fulfil the person's duties and functions in relation to the corporation and provided that the person owes the corporation a duty of confidentiality. The information should be given on the basis that restricts its use to the stated purpose and the recipient should recognise the resulting obligations (see **Section 307D(3) of the SFO**).

The above is extracted from the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission in June 2012 (the "Guidelines"). A copy of the Guidelines is attached as Appendix 2.

## **Part B – Reporting System and Internal Controls**

### **6.1 *Supervision and Reporting system***

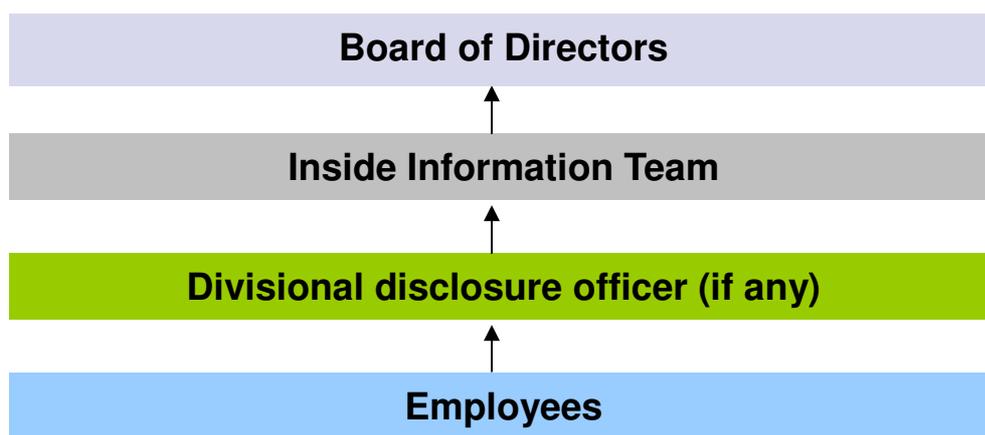
- (a) The Board shall be ultimately responsible for ensuring that adequate and effective systems are present to maintain compliance with the continuing disclosure obligations of the Company.
- (b) *Establishment of Inside Information Team*
  - (i) The Group has established the Inside Information Team (the "Inside Information Team") to identify, assess and escalate potentially inside information to the attention of the Board.
  - (ii) The Board shall delegate the routine oversight of the Group's disclosure obligations to the Inside Information Team, which is responsible for:
    - (a) ensuring proper systems and controls are in place to collect, review and verify potentially inside information;
    - (b) reviewing potentially inside information, making recommendation to the Board on which information must be disclosed and whether the Company may delay publication of inside information;
    - (c) vetting and clearing announcements or other public disclosures;
    - (d) deciding whether other action, such as the seeking of suspension from listing pending clarification of uncertainties, may be necessary;
    - (e) keeping proper records of all the information received and decisions made;
    - (f) where necessary, engaging financial, legal or other advisers to assist the Inside Information Team to carry out its duties;

- (g) where necessary, appointing and removing divisional disclosure officers, when it thinks fit;
  - (h) ensuring that employees are educated on the policy and internal reporting process; and
  - (i) supervising the Company's compliance with continuing disclosure obligations.
- (iii) The Inside Information Team comprises of an Executive Director, the Chief Legal Counsel, the Chief Financial Officer and representatives from the Investor Relations Department and Company Secretarial Department.

## 6.2 *Reporting channel*

- (a) As soon as employees become aware of actual or potentially inside information ("Information"), they must report to their respective divisional disclosure officers, if any, or the Inside Information Team (the usual channel is through the Company Secretarial Department) of the Information. Employees shall use the Inside Information Report Form as set out in Appendix 3.
- (b) Divisional disclosure officers, if any, shall then conduct preliminary assessment of the Information received. In case of doubt, the matter should be referred to the Inside Information Team for determination.
- (c) Upon notification of Information, the Inside Information Team reviews and decides whether the Information must be disclosed, as well as when and how the Information shall be released and gives recommendation to the Board.
- (d) The Board reviews the recommendation of the Inside Information Team and decides (i) whether the Information should be disclosed; (ii) whether any Safe Harbour can be invoked pursuant to s.307D of the SFO; and/or (iii) any other appropriate actions.
- (e) During evaluation of and before disclosure of the Information, the Board and the Inside Information Team will maintain confidentiality of the Information and restrict access to the Information to a limited number of employees on a need-to-know basis. All such employees must ensure that the Information is not communicated to any external parties unless with approval from the Inside Information Team. Email communication shall be password coded and marked "confidential". All employees shall not respond to market speculation and rumours unless authorized.

- (f) Minutes of the Board and/or Inside Information Team on the assessment of the information (including reasons for relying on the Safe Harbour and the steps taken in preserving and monitoring confidentiality) shall be kept by the Company Secretarial Department and shall be made available for inspection by any member of the Board and/or Inside Information Team if required.
- (g) The diagram showing the reporting channel is as follows :-



- (h) Employees are also required to report to the Company Secretarial Department of their personal dealing in (i) shares of the Company or any company in the Group; or (ii) property through any company in the Group by using the designated forms available on the Intranet (for shares: 股份權益申報表 (CPS05) and 股份買賣通知書 (CPS06) and for property: 員工物業交易申報表 (CPS04)). The Information will be escalated to the Inside Information Team.

### 6.3 Regular Financial Reporting

The Group has established regular financial reporting procedures whereby the Finance Department is responsible for compiling, identifying and escalating financial and operating data every month. Management and Inside Information Team will be provided with a monthly finance update on such data and will evaluate if any such data will constitute inside information.

### 6.4 Preservation of Confidentiality

- (a) The Group has strict prohibition on unauthorised use or disclosure of confidential information. Such prohibition is included in the employment agreements as well as the Group's Staff Handbook which applies to all employees.

- (b) Template of Confidentiality Agreement is made available for use by Officers who enter into negotiations on potential transactions on behalf of the Company or any member of the Group with third parties. Third parties will be required to undertake to keep the potential transactions confidential.

#### 6.5 *Raising awareness of employees*

Officers/relevant employees are given access to a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information (**Appendix 4**) and trainings will be provided to them on a regular basis to ensure that they are familiar with the Procedures as well as their relevant disclosure duties and obligations.

#### 6.6 *Exceptions - Safe Harbours*

A decision on whether certain information is inside information and whether the safe harbours may apply will be made by the Board based on recommendation by the Inside Information Team.

### **7 Dissemination of inside information**

#### 7.1 *Electronic publication*

Inside information and any other information which is required to be disclosed pursuant to the Group's statutory disclosure obligations will be announced via the electronic publication system operated by the Stock Exchange and then published on the Group's website within one hour following announcement on the Stock Exchange.

#### 7.2 *Designated Spokesperson for the Group*

The Group has designated officers with appropriate skills and training of the Public Relations Department or Investor Relations Department (as the case may be) to speak on behalf of the Group when communicating with media, analysts or investors. Such delegates will be decided by the head of the relevant department or management on a case-by-case basis depending on the nature of the communication.

#### 7.3 *Responsibility for coordinating communications to the investment community*

- (a) The Investor Relations Department is responsible for coordinating all communications with shareholders/investors, analysts and other members of the investment community.
- (b) The Investor Relations Department will work closely with the Inside Information Team to ensure that any communications in (a) above does not

contain inside information. The Investor Relations Department will record the briefings and discussions with investors/analysts. Such record will be reviewed by the head of Investor Relations Department afterwards to check whether any inside information has been inadvertently released.

- (c) The Investor Relations Department will prepare the presentation materials (if any) to be released at briefings.
- (d) Any employees who receive enquiries from the investment community should refer the enquiry to the Investor Relations Department.

#### 7.4 *Responsibility for coordinating communications to the media*

- (a) The Public Relations Department is responsible for coordinating all communications with reporters, journalists and other media.
- (b) The Public Relations Department will work closely with the Inside Information Team to ensure that any communications in (a) above does not contain inside information. The Public Relations Department will record the briefings and discussions with media. Such record will be reviewed by the head of the Public Relations Department afterwards to check whether any inside information has been inadvertently released.
- (c) The Public Relations Department will prepare the presentation materials (if any) to be released at media briefings.
- (d) Any employees who receive media enquiries should refer the enquiry to the Public Relations Department.

#### 7.5 (a) *Black out period*

During the “black out period”, there should be no communication with analysts, investors, market professionals or the media regarding the Company’s business, except where the communications are limited to responding to enquiries about publicly available or non-inside information.

#### (b) *Unintentional selective disclosure*

Any employee who becomes aware of the disclosure of any non-public inside information should notify the Inside Information Team immediately. Inside Information Team will promptly review the matter and if it is determined that unintentional selective disclosure has occurred, it will report to the Board and will promptly issue an announcement to provide full disclosure.

## **8. Review and queries**

- 8.1 To ensure that the existing Procedures are up to date, the Company will review the Procedures from time to time having regard to the regulatory requirements and the expectations of its shareholders.
- 8.2 The Procedures will be made available on the intranet and website of the Company for view by employees, media and other stakeholders.
- 8.3 Comments, questions or queries regarding the Procedures may be addressed to the Company's Company Secretarial Department at Rooms 2505-8, 25/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong or by e-mail to [cps@midland.com.hk](mailto:cps@midland.com.hk).

Midland IC&I Limited  
Company Secretarial Department

Adopted in January 2013

## **Appendix 1**

### **Common examples of events or circumstances where the Group should consider whether a disclosure obligation arises**

1. Changes in performance, or the expectation of the performance, of the business;
2. Changes in financial condition, e.g. cashflow crisis, credit crunch;
3. Changes in control and control agreements;
4. Changes in directors;
5. Changes in directors' service contracts;
6. Changes in auditors or any other information related to the auditors' activity;
7. Changes in the share capital, e.g. new share placing, bonus issue, rights 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 Group 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 Group's assets, liabilities, financial position or profits and losses;
13. Decisions concerning buy-back programs or transactions in other listed financial instruments;
14. Changes to the memorandum of association and bye-laws of the Group;
15. Filing of winding up petitions, the issuing of winding up orders or the appointment of provisional receivers or liquidators;
16. Legal disputes and proceedings;
17. Revocation or cancellation of credit lines by one or more banks;
18. Changes in value of assets (including advances, loans, debts or other forms of financial assistance);

19. Insolvency of relevant debtors;
20. Reduction of real properties' values;
21. Physical destruction of uninsured goods;
22. New licenses, patents, registered trademarks;
23. Decrease or increase in value of financial instruments in portfolio which include financial assets or liabilities arising from futures contracts, derivatives, warrants, swaps protective hedges, credit default swaps;
24. Decrease in value of patents or rights or intangible assets due to market innovation;
25. Receiving acquisition bids for relevant assets;
26. Innovative products or processes;
27. Changes in expected earnings or losses;
28. Orders received from customers, their cancellation or important changes;
29. Withdrawal from or entry into new core business areas;
30. Changes in the investment policy;
31. Changes in the accounting policy;
32. Ex-dividend date, changes in dividend payment date and amount of dividend; changes in dividend policy;
33. Pledge of the Group's shares by controlling shareholders; or
34. Changes in a matter which was the subject of a previous announcement.

**Appendix 2**

**Guidelines on Disclosure of Inside Information (June 2012)**

Appendix 3

STRICTLY CONFIDENTIAL

Midland IC&I Limited (“Company”)

*Inside Information Report Form*

<b>Employee’s Particulars</b>	
<b>Name:</b>	<b>Telephone No.:</b>
<b>Staff No.:</b>	<b>E-mail:</b>
(i) A general description of the matter:	
(ii) Relevant date of the event or transaction:	
(iii) Details of the parties involved:	
(iv) Status of the matter (e.g. final / negotiations still in progress / preliminary negotiations only):	
(v) Estimated value of the transaction:	
(vi) Estimated effect on the Company’s finances or operations:	
(vii) Names of any staff members, in-house or external advisers involved in the matter:	
Please provide the supporting documents or evidence to substantiate your report (if any) to facilitate review of the information.	
<b>The employee understands that all personal data submitted by him/her will only be used for purposes which are directly related to the review of the actual or potential inside information, and may be transferred to parties who will be involved in (i) the review, processing and/or investigation of the actual or potential inside information; and/or (ii) compliance of the disclosure requirements applicable to the Company. The employee shall have the right to request access to and correction of his/her personal data submitted in this report. The employee hereby declares that all information given herein is made voluntarily and true to the best of his/her knowledge, and he/she shall ensure that the information given by him/her and his/her participation shall be kept confidential.</b>	
<b>Signature:</b>	<b>Date:</b>

## **Appendix 4**

### **Sensitivity list**

1. Entering into transactions which are not in the ordinary course of business
2. Transactions with connected person(s)
3. Acquisition or disposal of assets which represents 5% or more of the total assets or market capitalization of the Company
4. Advance to an entity which represents 8% of the total assets of the Company
5. Financial assistance and guarantees to affiliated companies which represents 8% of the total assets of the Company
6. Pledging of shares by controlling shareholder of the Company
7. Entering into loan agreements with covenants relating to specific performance of the controlling shareholder
8. Breach of the terms of loan agreements