



**The Stock Exchange of Hong Kong Limited**  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

Our Ref: 20070710-00024

13 July 2007

To: Main Board Listed Issuers (Attn: Authorised Representatives)  
GEM Listed Issuers (Attn: Authorised Representatives)  
Market Practitioners

Dear Sirs

**Guidance on disclosure when a listed issuer's director resigns**

The Exchange Listing Rules require that an issuer promptly announces any changes in its directorate or supervisory committee. The Rules also provide that, in the event a director resigns, the issuer must announce the reasons given by the director for his resignation, if any, including, but not limited to, any information relating to the director's disagreement with the board and a statement as to whether or not there are any matters that need to be brought to the attention of shareholders. To assist issuers and their directors in determining the appropriate level of disclosure when a director resigns, the Exchange and the Hong Kong Institute of Directors have published guidance in the form of a joint news release on 11 May 2007 which can be found on the HKEx website (<http://www.hkex.com.hk/news/hkexnews/070511news.htm>).

For your ease of reference a copy of this guidance is now attached to this letter.

If you have any further questions in relation to the contents of this letter or the attached joint news release, please do not hesitate to contact the Listing Division officers responsible for monitoring listed companies. You may find the relevant information from the "Contact Persons in the Listing Division of HKEx for Listed Companies" on the HKEx website (<http://www.hkex.com.hk/issuer/listcontact/advisor.htm>).

Yours faithfully  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

[Signed]

Richard Williams  
Head of Listing

Encl.

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11 May 2007

## **HKEx and the HKIoD Provide Guidance on Disclosure When a Listed Issuer's Director Resigns**

The Stock Exchange of Hong Kong Limited (the Exchange), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx), and The Hong Kong Institute of Directors (the HKIoD) today (Friday) issued a joint statement to assist listed issuers and their directors in determining the appropriate level of disclosure when a director resigns.

The Main Board Listing Rules and the Growth Enterprise Market (GEM) Listing Rules (together, the Rules) require that issuers announce changes in their directorates. The Rules also provide that, in the event a director resigns, the issuer must announce the reasons given by the director for his resignation, if any, including, but not limited to, any information relating to the director's disagreement with the board and a statement as to whether or not there are any matters that need to be brought to the attention of shareholders.

In purported compliance with these Rules, issuers often announce that directors have resigned for "personal reasons". In some cases, this reason is given even where the director's resignation was not related to matters that are commonly understood to be personal. By this news release the Exchange and the HKIoD intend to assist issuers and their directors, with the interpretation in the following paragraphs, in determining the level of disclosure that would be appropriate to both comply with the Rules and to minimise the risk of a loss of investor confidence in the standards of disclosure.

The Exchange and the HKIoD agree that "personal reasons" encompasses only reasons such as illness, bereavement or other genuine personal difficulties that change the director's circumstances; not reasons such as work-related schedules, disqualification of the director, detainment by the police or other authorities (including imprisonment) or change in the issuer's circumstances. Similarly, it is common for groups to restructure their management teams by requiring individuals to resign their directorship in one company in order to take up a directorship in another company. It would be misleading to describe such changes as being for solely personal reasons. Rather, in such circumstances the Exchange and HKIoD believe that the issuer should describe the restructuring, the director's new role, and any actual or potential conflicts that may arise including how such conflicts will be managed.

Even where a director's reasons for resignation are personal, directors and the issuers are expected to make meaningful disclosure.

Issuers and directors are reminded that if circumstances relating to the resignation are material to the issuer, disclosure must be made pursuant to the general obligation of disclosure in Main Board Rule 13.09 or GEM Rule 17.10, as applicable. Similarly, in the event a director advises the issuer that he is resigning for personal reasons but the issuer knows or suspects that is not the case, the issuer must apply its knowledge to challenge the director's disclosure. The Exchange considers that to do otherwise would cause the announcement to be incomplete and/or misleading and therefore a breach of the Rules.

(The Rules require:

- the information contained in announcements must be accurate and complete in all material respects and not misleading or deceptive; and

- the issuer must not “omit material facts of an unfavourable nature or fail to accord them with appropriate significance”.)

The Exchange and the HKIoD do not anticipate that it would ever be appropriate for an issuer to claim that a director has resigned for personal reasons without further elaboration if the director holds multiple directorships (ie the director is appointed as a director of more than one issuer) and resigns from only one or some, not all, of the directorships. In such circumstances, the director and the issuer should disclose, at a minimum, why the personal reasons do not necessitate the director’s resignation from all of his directorships.

To be clear, in the event an issuer is required to challenge the director’s disclosure, the issuer’s further communications with the director should not delay the announcement required by Main Board Listing Rule 13.51 or GEM Listing Rule 17.50. Rather, the issuer’s initial announcement should make it clear that the issuer will follow up with the director and make a further announcement if appropriate.

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## **HKIoD**

The HKIoD is Hong Kong's premier body representing professional directors working together to promote good corporate governance and to contribute towards advancing the status of Hong Kong both in China and internationally. As HKIoD is not a statutory regulator, it admits no liability whatsoever as a result of the issuance of the aforesaid statement.

## **HKEx**

HKEx is the holding company of Hong Kong’s securities and derivatives markets and their associated clearing houses. A major function of HKEx is to operate and regulate the primary listing market and its Stock Exchange is the front-line regulator of listed issuers. HKEx’s services include trading, clearing and settlement, depository and nominee services, and information services.