SUMMARY OF CERTAIN RULES AND REGULATIONS APPLICABLE TO THE COMPANY

1 SUMMARY OF APPLICABLE JERSEY COMPANY LAWS

The Company is incorporated in Jersey subject to the Jersey Companies Law and, therefore, operates subject to Jersey law. Set out below is a summary of certain provisions of Jersey company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Jersey company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar. The Jersey Companies Law can be accessed via the internet at www.JerseyLaw.je.

1.1 **Operations**

(a) The Company does not intend to trade in Jersey. If it wished to carry out business activities in Jersey (including, in particular, employing staff in Jersey), it may need to obtain a licence pursuant to the Regulation of Undertakings and Development (Jersey) Law 1973, as amended.

(b) The Company is required to file an annual return each year with the Jersey Registrar of Companies. The current filing fee is £150.

1.2 **Share capital**

(a) ***Alteration of share capital***

The Articles provide substantially similar provisions in relation to alteration of share capital as those set out in the Jersey Companies Law.

(b) ***Share premium accounts***

(i) The Jersey Companies Law sets out what is meant by share premium and what share premium may be used for. If the Company allots shares at a premium (whether for cash or otherwise) where the premiums arise as a result of the issue of a class of limited shares, a sum equal to the aggregate amount or value of those premiums shall be transferred, as and when the premiums are paid up, to a share premium account for that class.

(ii) A share premium account may be applied by the Company for any of the following purposes:

(A) in paying up unissued shares to be allotted to members as fully paid bonus shares;

(B) in writing off the Company's preliminary expenses;

(C) in writing off the expenses of and any commission paid on any issue of shares of the Company;

(D) in the redemption or purchase of shares under Part 11 of the Jersey Companies Law (Redemption and Purchase of Shares); and

(E) in the making of a distribution in accordance with Part 17 of the Jersey Companies Law.

(iii) Subject to the above, the provisions of the Jersey Companies Law relating to the reduction of the Company's share capital apply as if each of its share premium accounts were part of its paid up share capital.

(iv) The Company may also make a distribution in accordance with Part 17 of the Jersey Companies Law (Distributions) from a share premium account (see 1.5 "Dividends and distributions" below).

(c) ***Reductions of capital***

Part 12 of the Jersey Companies Law provides that, subject to confirmation by the Royal Court of Jersey except in certain limited circumstances, the Company may by special resolution reduce its capital accounts in any way. The redemption, purchase or cancellation by a Jersey company of its shares under Part 11 of the Jersey Companies Law is not, for the purposes of Part 12 of the Jersey Companies Law, a reduction of capital.

(d) ***Variation of rights***

The Jersey Companies Law provides for variation of class rights in accordance with the Articles or, where this is not specified in the Articles, with the consent in writing of holders of not less than

two-thirds in nominal value of the issued shares of that class or by a special resolution of the members of that class. The Articles provide for a higher majority for written consent by holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class.

(e) ***Treasury shares***

The Jersey Companies Law provides that the Company may hold as treasury shares any of the limited shares that it has redeemed or purchased under the Jersey Companies Law, to the extent that it is not prohibited by the Memorandum or Articles and it is authorised by a resolution of the Company to hold shares as treasury shares.

1.3 **Financial assistance to purchase shares of a company or its holding company**

There is no specific restriction under the Jersey Companies Law on the provision of financial assistance by the Company to another person for the purchase of, or subscription for, its own or its holding company's shares.

Accordingly, the Company may provide financial assistance if the Directors of the Company consider, in discharging their fiduciary duties, that such assistance can properly be given.

The Directors will need to be mindful of their statutory obligations in relation to, among others, making distributions (as set out below) if any financial assistance is provided by way of a payment to a member in his, her or its capacity as a member and such payment constitutes a distribution of the Company's assets.

1.4 **Purchase of shares and warrants by a company and its subsidiaries**

(a) ***Redemptions***

(i) Subject to the provisions of the Jersey Companies Law, the Company may, if authorised by the Articles (which it is), issue or convert existing non-redeemable limited shares, whether issued or not, into, limited shares which are to be redeemed, or are liable to be redeemed, either in accordance with their terms or at the option of the Company or the shareholder. The Articles provide for the issue of redeemable shares (or conversion of non-redeemable shares) on such terms and in such manner as may be determined by special resolution.

(ii) The redeemable limited shares of the Company shall be capable of being redeemed from any source, but only if they are fully paid up.

(iii) The redeemable limited shares are not capable of being redeemed unless all the directors of the Company who authorise the redemption make a statement as to the solvency of the Company at the time of redemption which is forward looking for a 12-month period following the redemption.

(iv) Any shares redeemed under the Jersey Companies Law (other than shares that are, immediately after being purchased or redeemed, held as treasury shares) are treated as cancelled on redemption.

(b) ***Share purchases***

(i) In addition, the Company may purchase its own shares (including any redeemable shares). Such a purchase shall be sanctioned by a special resolution of the Company.

(ii) If the shares are to be purchased otherwise than on a stock exchange, they may only be purchased in pursuance of a contract approved in advance by a resolution of the Company and they shall not carry the right to vote on the resolution sanctioning the purchase or approving the contract.

(iii) If the shares are to be bought on a stock exchange, the resolution authorising the purchase shall specify the maximum number of shares to be purchased, the maximum and minimum prices which may be paid for them and a date, not being later than 18 months after the passing of the resolution, on which the authority to purchase is to expire.

(iv) A purchase also requires the authorising Directors to make a solvency statement in the same terms as that required for a redemption.

(c) ***Warrants***

The Jersey Companies Law does not contain provisions relating to the issue, redemption or purchase of share warrants.

1.5 **Dividends and distributions**

Pursuant to the Jersey Companies Law, the Company may make a distribution at any time which shall be debited to the share premium account or any other account other than the capital redemption reserve or nominal capital account, provided that the Directors authorising the distribution make a statement as to the solvency of the Company immediately following payment of the distribution, which is forward looking for a 12-month period following the payment. The solvency statement must be in the form set out in the Jersey Companies Law.

1.6 **Protection of minorities**

(a) The principle under English case law that, if any wrong is done to a company (e.g. if the directors have acted in breach of duty in some way), the proper claimant in any legal action for breach of such duty is the company itself, has been held to form a part of Jersey law. However, in exceptional situations a minority shareholder is permitted to bring a derivative action in a company's name, and on a company's behalf, in particular where:

(i) the majority cannot ratify what has been done (e.g. where the company acts illegally or where a resolution has been improperly passed); or

(ii) where it would be unfair not to allow a derivative action (e.g. where there exists fraud on the minority or unfairly prejudicial conduct of the directors or the majority shareholder(s)).

(b) Under the Jersey Companies Law, a member of the Company may apply to the Royal Court of Jersey for an order that the Company's affairs are being or have been conducted in a manner which is unfairly prejudicial to the interests of its members generally or of some part of its members (including at least the member) or that an actual or proposed act or omission of the Company (including an act or omission on its behalf) is or would be so prejudicial. If the Royal Court of Jersey is satisfied that such an application is well founded, it may make such order as it thinks fit for giving relief in respect of the matters complained of.

(c) Under the Jersey Companies Law, inspectors may be appointed to investigate the affairs of the Company, whether or not the Company is being wound up, on the following basis:

(i) The Minister for Economic Development (the "Minister") or the Jersey Financial Services Commission (the "Commission") may appoint one or more competent inspectors to investigate the affairs of the Company and to report on them as the Minister or the Commission may direct.

(ii) The appointment may be made on the application of the registrar, the Company or a member, officer or creditor of the Company.

(iii) The Minister or the Commission may, before appointing inspectors, require the applicant, other than the registrar, to give security, to an amount not exceeding £10,000 or such other sum as may be prescribed for payment of the costs of the investigation.

(d) Any member of the Company may apply to the Royal Court of Jersey to wind the Company up on just and equitable grounds.

1.7 **Management**

Except in relation to distributions, share purchases, redemptions and the return of capital on a winding-up, the Jersey Companies Law contains no specific restrictions on the power of the Directors to dispose of the assets of the Company. However, under the Jersey Companies Law, the Directors, in exercising their powers and discharging their duties, must (a) act honestly and in good faith with a view to the best interests of the Company; and (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Under the Jersey Companies Law, a Director will not be held to have breached his duties if all of the members of the Company authorise or ratify his act or omission and after the act or omission the Company will be able to discharge its liabilities as they fall due.

1.8 **Accounting and auditing requirements**

Under the Jersey Companies Law, the Company must keep accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the Company. Accounts must be prepared in accordance with certain generally accepted accounting principles and audited accounts must show a true and fair view of, or be presented fairly in all material respects, so as to show the company's profit or loss for the period covered by the accounts and the state of its affairs at the end of the period.

1.9 **Exchange control**

There are no exchange control regulations or currency restrictions under Jersey law.

1.10 **Taxation**

(a) Jersey taxation legislation provides that the general basic rate of income tax on the profits of companies regarded as resident in Jersey or having a permanent establishment in Jersey will be zero per cent and that only a limited number of financial services companies shall be subject to income tax at a rate of 10 per cent. There is no capital gains tax in Jersey.

(b) A 3 per cent. sales tax is generally paid in Jersey on the sale or exchange of goods and services used in Jersey. All businesses with a 12-month taxable turnover in excess of £300,000 must, by Jersey law, register for this tax. For so long as the Company is an international service entity within the meaning of the Goods and Services (Jersey) Law 2007, having satisfied the requirements of the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008, as amended, a supply of goods or of a service made by or to the Company shall not be a taxable supply for the purposes of Jersey law.

(c) Further details can be found in paragraph 3 (Jersey Taxation) in Section IX: "Taxation" of the International Prospectus that forms part of this Hong Kong Prospectus.

1.11 **Stamp duty on transfers**

There is no stamp duty payable in Jersey on inter vivos transfers of shares in a Jersey company.

1.12 **Loans to Directors**

There is no express provision in the Jersey Companies Law prohibiting the making of loans by the Company to any of the Directors. However, the Articles include comprehensive prohibitions on loans to Directors as applicable to Hong Kong incorporated companies but with certain exceptions (see 4.2 "Loans to directors" below).

1.13 **Inspection of corporate records**

Under the Jersey Companies Law, the Company's register of members shall during business hours be open to the inspection of a member of the Company without charge and may, on the payment of such sum (if any), not exceeding the published maximum, as the Company may require and on submission to the Company of a declaration under the Jersey Companies Law (as to the use of the copy) require a copy of the register and the Company shall, within 10 days after receipt of the payment and the declaration, cause the copy so required to be available at the place where the register is kept for collection by that person during business hours.

1.14 **Winding-up**

(a) The Company may be placed into liquidation under Jersey law by a summary or creditors' winding up, by order of the Royal Court of Jersey on just and equitable grounds or following a declaration of the assets of the Company as "en désastre" by the Royal Court of Jersey pursuant to Jersey bankruptcy law.

(b) The Company may be wound up summarily if the company is solvent and the Directors make a statement to that effect. The winding-up would commence upon the members passing a special resolution to wind the Company up summarily.

(c) A creditors' winding-up would commence if the members passed a special resolution to wind the Company up by way of creditors' winding-up or if the Company is being summarily wound up and becomes insolvent. The Jersey Companies Law set out comprehensive provisions with regard to, amongst other things, meetings of creditors and procedures thereat, appointment, powers and duties of liquidators, the involvement of the Royal Court of Jersey and the disposal and clawback of the Company's property. Pursuant to the Jersey Companies Law, a liquidator must report possible criminal offences relating to the Company, those involved with it or the Directors. As soon as the affairs of the Company in a creditors' winding-up were fully wound up, the liquidator would make up an account of the winding-up, showing how it had been conducted and the Company's property had been disposed of, and thereupon call a general meeting of the Company and a meeting of the creditors for the purpose of laying the account before the meetings and giving an explanation of it.

(d) Jersey bankruptcy law allows for the assets of the Company to be declared "en désastre" by the Royal Court of Jersey upon an application by the Company or by a creditor with a claim for a liquidated sum of not less than £3,000 against the Company and if the Royal Court of Jersey considers it just and equitable to do so. The Company would have the ability to apply to set aside the declaration if it was not insolvent (i.e. not unable to pay its debts as they fell due). The Royal Court of Jersey would, on a désastre declaration, appoint the Viscount of Jersey to administer the liquidation of the Company and all the property and assets of the Company would vest in the Viscount. The Viscount has similar powers to a liquidator under a creditor's winding-up. In a désastre, the first duty of the Viscount is to liquidate the estate for the benefit of the creditors who prove their claims. Co-extensive with the Viscount's duty to protect and realise the Company's property would be a duty requiring him to investigate the circumstances giving rise to the désastre. The Viscount also has a duty to report possible misconduct. The Viscount would have an obligation to supply all the creditors with a report and accounts relating to the désastre when he had realised all the Company's property.

1.15 **Reconstructions**

Under the Jersey Companies Law, the Company has the power to compromise with creditors and members. Where a compromise or arrangement is proposed between the Company and its creditors, or a class of them, or between the Company and its members, or a class of them, the Royal Court of Jersey may on the application of the Company or a creditor or member of it or, in the case of the Company being wound up, of the liquidator, order a meeting of the creditors or class of creditors, or of the members of the Company or class of members (as the case may be), to be called in such manner as the Royal Court of Jersey directs. If a majority in number representing:

(a) 3/4ths in value of the creditors or class of creditors; or

(b) 3/4ths of the voting rights of the members or class of members,

as the case may be, present and voting either in person or by proxy at the meeting, agree to a compromise or arrangement, the compromise or arrangement, if sanctioned by the Royal Court of Jersey, is binding on:

(a) all creditors or the class of creditors; or

(b) all the members or class of members, as the case may be and also on the Company or, in the case of the Company in the course of being wound up, on the liquidator and contributories of the Company.

1.16 **Compulsory acquisition**

(a) Under the Jersey Companies Law, if, following a takeover offer (which is defined as "an offer to acquire all the shares, or all the shares of any class or classes, in a company (other than shares which at the date of the offer are already held by the offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those shares include shares of different classes, in relation to all shares of each class"), an offeror has acquired or contracted to acquire not less than nine-tenths in value of the shares to which the offer relates, the offeror may give notice, in accordance with the Jersey Companies Law, to the holders of those shares to which the offer relates which the offeror has not acquired or contracted to acquire, that it desires to acquire those shares. Subject to the provisions of the Jersey Companies Law, upon service of the notice by the offeror, it shall become entitled and be bound to acquire the shares. A minority shareholder also has a right, pursuant to the Jersey Companies Law, to be bought out by an offeror.

(b) Where a notice is given under the Jersey Companies Law to the holder of any shares, the Royal Court of Jersey may, on an application made by the shareholder within six weeks from the date on which the notice was given, order that the offeror shall not be entitled and bound to acquire the shares or specify terms of acquisition different from those of the offer.

1.17 **Indemnification**

(a) Subject to the exceptions in (b) below, the Jersey Companies Law prohibits any provision whether contained in the Articles or in a contract with the Company or otherwise whereby the Company or any of its subsidiaries or any other person, for some benefit conferred or detriment suffered directly or indirectly by the Company, agrees to exempt any person from, or indemnify him against, any liability which by law would otherwise attach to him by reason of the fact that he is or was an officer of the Company.

(b) The above prohibitions do not apply to a provision for exempting a person from or indemnifying him against:

(i) any liabilities incurred in defending any proceedings (whether civil or criminal):

(A) in which judgment is given in his favour or he is acquitted;

(B) which are discontinued otherwise than for some benefit conferred by him or on his behalf or some detriment suffered by him; or

(C) which are settled on terms which include such benefit or detriment and, in the opinion of a majority of the Directors (excluding any Director who conferred such benefit or on whose behalf such benefit was conferred or who suffered such detriment), he was substantially successful on the merits in his resistance to the proceedings;

(ii) any liability incurred otherwise than to the Company if he acted in good faith with a view to the best interests of the Company;

(iii) any liability incurred in connection with an application made under the Jersey Companies Law in which relief is granted to him by the Royal Court of Jersey; or

(iv) any liability against which the Company normally maintains insurance for persons other than Directors.

2 SUMMARY OF APPLICABLE UK LISTING RULES AND UK DISCLOSURE AND TRANSPARENCY RULES

In connection with and following UK Admission, the Company will be required to comply with the UK Listing Rules and the UK Disclosure and Transparency Rules. In light of this, the Hong Kong Stock Exchange has granted the Company various waivers from the application of certain Hong Kong Listing Rules and the SFC has granted certain exemptions from certain Hong Kong laws and regulations that would otherwise apply to the Company from HK Admission. Further details are set out in the section "Waivers and Exemptions from Hong Kong Laws and Regulations" in this Wrap.

Set out below is a non-exhaustive summary of certain provisions of the UK Listing Rules and the UK Disclosure and Transparency Rules that will apply to the Company from UK Admission, which regulate the entry by Glencore into significant transactions and related party transactions, regulate dealing by the Company in its own shares, set out the required contents of shareholder circulars published by the Company, impose certain other continuing obligations on the Company and impose certain disclosure obligations in relation to interests held by Directors, PDMRs and certain Shareholders of the Company. The UK Listing Rules can be accessed via the internet at: http://fsahandbook.info/FSA/html/handbook/LR and the UK Disclosure and Transparency Rules can be accessed via the internet at: http://fsahandbook.info/FSA/html/handbook/DTR.

References to "shares" in this summary are to equity securities, and all references to a "listed company" or "listed companies" are to those companies, including the Company, whose shares have been admitted to listing on the premium segment of the Official List, unless otherwise stated.

2.1 **UK Listing Rules Chapter 9—Continuing Obligations**

Chapter 9 contains certain ongoing disclosure obligations that apply to listed companies, as well as requirements in relation to the conduct of certain types of transaction, in particular rights issues and open offers.

(a) ***Pre-emption rights***

A listed company proposing to issue equity shares for cash must first offer those shares to its existing shareholders in proportion to their existing holdings. This rule does not apply: (i) to rights issues and open offers (insofar as the shares issued are in respect of fractional entitlements of shareholders in that rights issue or open offer, or insofar as legal or regulatory requirements make it problematic to offer shares to shareholders in certain jurisdictions in the rights issue or open offer); (ii) to the sale of treasury shares for cash to an employee share scheme; or (iii) to companies that have obtained shareholder consent to issue shares for cash or to sell treasury shares on a non-pre-emptive basis. The Articles set out certain restrictions on the issuance of Ordinary Shares for cash. These Articles are also consistent with the provisions of UK Listing Rule 9 and are summarised in paragraph 7.3 of Section X: "Additional Information" in the International Prospectus that forms part of this Hong Kong Prospectus.

(b) ***The Model Code***

The purpose of the Model Code is to ensure that PDMRs do not abuse, or place themselves under suspicion of abusing, inside information that they may be thought to have, especially in "prohibited periods", which are periods leading up to an announcement of financial information (known as "close periods") and other periods when inside information exists.

No dealings in shares may be effected by or on behalf of a listed company or any other member of its group at a time when, under the provisions of the Model Code, a director of any other group company would be prohibited from dealing in its securities. "Dealing in shares" includes buying and selling shares and also the granting or accepting of options under share schemes (subject to certain exceptions). A listed company must require every PDMR, including directors, to comply with the Model Code and to take all proper and reasonable steps to secure their compliance.

PDMRs must not deal in any shares of a listed company without obtaining clearance to do so in accordance with the notification procedures set out in the Model Code and Rule 3.1.4R of the UK Disclosure and Transparency Rules. A listed company must maintain a record of requests to deal and of clearances granted. A PDMR must not be given permission to deal during a prohibited period or on considerations of a short term nature.[(2)] A PDMR who is not in possession of inside information in relation to the listed company may be given clearance to deal (to sell but not to purchase shares in the company) if he is in severe financial difficulty or there are other exceptional circumstances, but the FSA must be consulted in such scenarios and the nature of the exceptional circumstances must be made public through a RIS. Certain dealings are not subject to the Model Code, such as participation in a rights issue or the acceptance of a takeover offer.

A PDMR must take reasonable steps to prevent any dealings by or on behalf of any connected person of his in any shares of the company on considerations of a short term nature and must seek to prohibit the dealings of his connected persons in close periods.

(c) ***Rights issues and open offers***

Listed companies must ensure the issue price, principal terms and results of a rights issue (including the sale and price per share) are notified to a RIS as soon as possible. The offer period for such a rights issues must remain open for at least 10 days.

If existing shareholders do not take up their rights to subscribe shares in a rights issue, a listed company must ensure that any premium over the subscription or purchase price (net of expenses) achieved from selling the shares in the market is retained for the account of the relevant existing shareholders, except that amounts of less than £5.00 due to an existing shareholder may be retained for the benefit of the listed company. Such shares may be allotted or sold to underwriters if, on expiry of the subscription period, no premium (net of expenses) has been obtained.

(2) Paragraph 8(b) of the Model Code states that an investment with a maturity of one year or less will always be considered to be of a short term nature.

A listed company must ensure that the timetable for any open offer it makes is approved by the regulated exchange on which the company trades. If the open offer is subject to shareholder approval, the related circular must not contain any statement that might imply that the offer gives the same entitlements as a rights issue.

If a shareholder's entitlement in a rights issue or open offer includes a fraction of a security, a listed company must ensure that the fraction is sold for the benefit of the holder, except that if its value (net of expenses) does not exceed £5.00, it may be sold for the company's benefit. Sales of fractions may be made before listing is granted.

If a listed company makes an open offer, placing, vendor consideration placing, offer for subscription of equity shares or an issue out of treasury, the price must not be at a discount of more than 10 per cent. to the middle market price of the shares offered at the time of announcing the terms of the offer or at the time of agreeing the placing (as the case may be), unless such a larger discount has been specifically approved by the company's shareholders.

(d) ***Notifications: general***

A listed company must forward to the FSA for publication all circulars, notices, reports, resolutions (other than resolutions concerning ordinary business passed at an annual general meeting), and all other documents to which the UK Listing Rules apply. It must also notify a RIS of such publication and any proposed changes to its capital structure (including the structure of its listed debt securities), any redemption of listed shares, the results of any new issues of shares or public offerings of existing shares, any planned dividends or other distributions and any lock-up arrangements in respect of its shares.

A listed company must also notify a RIS of any changes to the composition of its board of directors or the roles or responsibilities of any of its chairman or executive and non-executive directors, as well as details of previous directorships and unspent convictions of its directors or any insolvency situations of companies of which they are or have been directors. If this information changes an update must be notified to a RIS.

A listed company must notify a RIS as soon as possible of information relating to the disposal of equity shares under an exemption allowed in any lock-up arrangements disclosed in accordance with the PD Regulations. A listed company must notify a RIS as soon as possible of the details of any variation in the lock-up arrangements disclosed in accordance with the PD Regulations or any subsequent announcement.

A listed company must notify a RIS as soon as possible after a general meeting of all resolutions passed by the listed company other than resolutions concerning ordinary business which have been passed at an annual general meeting.

A listed company which changes its name must, as soon as possible: (i) notify a RIS of the change, stating the date on which it has taken effect; (ii) inform the FSA in writing of the change; and (iii) send the FSA a copy of the revised certificate of incorporation issued by the Registrar of Companies.

A listed company must also notify a RIS as soon as possible of any change in its accounting reference date.

(e) ***Preliminary statement of annual results and statement of dividends***

If a listed company prepares a preliminary statement of annual results, the statement must be published as soon as possible after it has been approved by the board and agreed with the company's auditors prior to publication. The statement must show the figures in the form of a table, including the items required for a half-yearly report, consistent with the presentation to be adopted in the annual accounts for that financial year. The statement must give details of the nature of any likely modification that may be contained in the auditors' report required to be included with the annual financial report and must include any significant additional information necessary for the purpose of assessing the results being announced.

A listed company must also notify a RIS as soon as possible after the board has approved any decision to pay, make or withhold any dividend or other distribution on listed equity, giving full details of the dividend or other distribution.

(f) ***Financial disclosure***

Chapter 9 of the UK Listing Rules sets out a list of information that must be included in a listed company's annual financial report such as details of significant contracts to which the listed company is party and of arrangements under which a shareholder has waived or agreed to waive dividends. A listed company must include a statement that it has complied with the UK Corporate Governance Code or if it has not, details of the reasons for non-compliance. Directors' remuneration packages must be described and Chapter 9

sets out a list of items relevant for inclusion in this disclosure such as remuneration details, share options, long-term incentive plans along with details of entitlements or awards granted and of the monetary value and number of shares, cash payments or other benefits received by each director under any long-term incentive schemes and contractual compensation for early termination of service contracts.

Certain sections of the annual financial report must be reviewed by the auditors before publication and if they are not in compliance with the requirements the auditor's report must contain a statement giving details of such non-compliance.

(g) ***Share schemes***

Employee share schemes and long-term incentive plans established by non-UK incorporated companies do not require shareholder approval under the UK Listing Rules. The Combined Code, however, recommends that shareholders should be invited specifically to approve all new long-term incentive schemes and significant changes to existing schemes. Where shareholder approval of a plan is sought UK Listing Rule 13.8.11 provides that the shareholder circular must contain either the full text of the scheme or a description of its principal terms, details of the trusteeship or interest where this involves the directors, state that certain key provisions cannot be altered to the advantage of participants without shareholder approval; state whether the benefits under the scheme are pensionable; and if the scheme is not circulated to shareholders, give details of where it can be inspected.

UK Listing Rule 9.4.4 provides that a listed company must not, without the prior approval by ordinary resolution of its shareholders grant an option, warrant or similar right of subscription to a director or employee of the listed company or any of its subsidiaries, if the price per share payable on the exercise of the option, warrant or similar right to subscribe is less than market price (which can be calculated in a number of prescribed ways). This rule does not apply to grants under an employee share scheme if participation in the scheme is offered on similar terms to all or substantially all employees of the group companies whose employees are entitled to participate in the scheme or following a take-over or reconstruction where previous arrangements are being replaced with comparable arrangements.

2.2 **UK Listing Rules Chapter 10—Significant Transactions**

The purpose of Chapter 10 is to ensure that shareholders of a listed company are notified of certain transactions entered into by that listed company and have the opportunity to vote on larger transactions. It is aimed at transactions outside the normal course of business[(3)] that might alter a shareholder's economic interest in a listed company's assets or liabilities (whether or not the change in the assets or liabilities is recognised on the company's balance sheet).

(a) ***Classification of transactions***

Transactions for the purpose of Chapter 10 include agreements entered into by the listed company or its subsidiaries and grants of options but excluding transactions entered into in the ordinary course, issues of securities and financing transactions not involving the acquisition or disposal of any fixed asset of any member of the listed company's group and transactions between wholly-owned group companies.

Transactions are classified in order to determine the extent of the disclosure required and whether they will be subject to a shareholder vote. The classifications are determined by assessing the size of the transaction relative to that of the listed company which proposes to enter into the transaction. Chapter 10 sets out a number of tests that will result in a percentage ratio that will in turn determine which classification applies.

(b) ***Class 3 transactions***

Class 3 transactions are those where all percentage ratios are less than 5 per cent. If a listed company carrying out a Class 3 transaction makes any information in relation to the transaction public, it must notify a RIS of those details together with certain other specified details of the transaction. If the consideration for such an acquisition involves the issue of listed shares, then a RIS notification will be required regardless of whether aspects of the transaction are otherwise made public. Chapter 10 sets out the specific content required in these RIS notifications.

(3) In assessing whether a transaction is within a listed company's ordinary course of business, the FSA has regard to the size and incidence of similar transactions with the company.

(c) ***Class 2 transactions***

A Class 2 transaction is a transaction where any percentage ratio is 5 per cent. or more but each is less than 25 per cent. All Class 2 transactions must be notified to a RIS and the information required to be included in such notification is more detailed than that required for Class 3 notifications.

(d) ***Class 1 transactions***

Class 1 transactions are transactions where any percentage ratio is 25 per cent. or more. For Class 1 transactions, companies must comply with the Class 2 requirements but must also circulate an explanatory circular to its shareholders and obtain shareholder approval for the transaction. Any agreement effecting a Class 1 transaction must be conditional on obtaining such shareholder approval. The UK Listing Rules prescribe detailed content requirements for Class 1 circulars, as described in paragraph 2.5(c) below.

(e) ***Reverse takeovers***

A reverse takeover is a transaction consisting of an acquisition by a listed company of a business where any percentage ratio is 100 per cent. or more or which would result in a fundamental change in the business or in board or voting control of the listed company. Reverse takeovers will be treated as Class 1 transactions if: (i) none of the class test calculation ratios exceed 125%; (ii) the acquisition target company is in the same line of business of the listed company; (iii) the acquisition target company satisfies all requirements for premium listing; and (iv) there will be no change of board or voting control of the listed company. When a listed company completes a reverse takeover, its listed shares will generally be cancelled by the FSA and it will be required to re-apply for listing and satisfy the relevant requirements.

(f) ***Rules for specific scenarios***

Chapter 10 stipulates that certain types of transaction will automatically be considered Class 1 transactions regardless of the results of the class tests. These transactions are:

(i) the grant of any exceptional indemnities (other than to a wholly owned subsidiary undertaking of the listed company) where the maximum liability is either unlimited or equal to or in excess of 25 per cent. of the listed company's profits for the last three financial years;

(ii) an agreement to pay a break fee in excess of 1 per cent. of the value and/or market capitalisation of the listed company being acquired; and

(iii) an issue of shares by a major subsidiary undertaking (which itself is not a listed company) of a listed company where the issue would dilute that listed company's interest in the subsidiary and the economic effect of this is equivalent to a disposal of 25 per cent. or more of the assets or profits (after the deduction of all charges except taxation) of the listed company's group.

Transactions completed within any 12-month period before the latest transaction must be aggregated with that transaction if: (i) they involve the same or connected counterparties; (ii) they involve the acquisition or disposal of securities or an interest in one particular company; or (iii) together they lead to substantial involvement in a business activity which did not previously form a significant part of the acquirer company's principal activities. This rule on aggregation does not apply to break fees.

Additional specific rules must be applied to the classification of transactions entered into by property companies, mineral companies and scientific research companies. For instance, an additional class test based on the reserves of the listed company must be applied in relation to mining companies.

Chapter 10 also contains guidance on the assessment of joint venture transactions and provides for exemptions from the Class 1 requirements for companies in severe financial difficulty.

2.3 UK Listing Rules Chapter 11—Related Party Transactions

The purpose of Chapter 11 is to prevent related parties of a listed company (including its subsidiary undertakings) from taking advantage of their position (or creating the perception that they may have done so). It sets out safeguards that apply to transactions and arrangements between a listed company's group and its related parties and transactions and arrangements between a listed company's group and any other person that might benefit a related party. The safeguards are intended to prevent a related party from taking advantage of its position and to prevent any perception that it may have done so.

(a) ***Classification***

"Related parties" for the purposes of Chapter 11 are: (i) persons who are or have been substantial shareholders within 12 months of the transaction; (ii) persons who are or have been directors or shadow directors within 12 months of the transaction of any member of a listed company's group; (iii) any person who exercises significant influence over the listed company; or (iv) an associate of any of the foregoing, such as a family member of a company controlled by the related party.

A "related party transaction" can be a non-ordinary course of business transaction between a listed group and a related party, an arrangement pursuant to which a member of a listed company's group and related party each invest in another undertaking or asset, or any other similar transaction or arrangement which benefits a related party except for transactions of a revenue nature in the ordinary course of business.

If an issuer proposes to enter into a transaction that might be a related party transaction it is required to obtain the guidance of a sponsor to assess the potential application of the rules.

A listed company is required to aggregate related party transactions entered into with the same related party and in any 12-month period for the purpose of the application of the percentage ratio tests.

(b) ***Exemptions***

Chapter 11 does not apply to transactions considered to be "small transactions", i.e. those where the class tests set out in Chapter 10 would each result in a percentage ratio of 0.25 per cent. or less.

In addition, it does not apply to certain specified transactions, including (but not limited to): (i) a transaction agreed before a person became a related party; (ii) a transaction that consists of the take-up by a related party of securities under its entitlement in a pre-emptive offering; (iii) a transaction that consists of an issue of new securities made under its entitlement in a pre-emptive offering; (iv) grants of credit (loans and guaranteeing loans) to related parties and directors on normal commercial terms; (v) directors' indemnities and loans; (vi) certain joint investment arrangements; or (vii) an underwriting by a related party of an issue of securities by the listed company (or its subsidiary undertakings) if the consideration paid is no more than usual commercial underwriting consideration, in each case so long as the transaction has no unusual features. In addition, there is an express exemption for transactions in connection with employee share schemes and long-term incentive schemes as long as these transactions have no unusual features.

(c) ***Consequences***

If a listed company does enter into a related party transaction it must make a market notification containing specified information about the transaction and must obtain shareholder approval for the transaction, having: (i) circulated a more detailed shareholder circular satisfying specific content requirements such as the inclusion of a board statement that the transaction is fair and reasonable; and (ii) prevented the related party and its associates from voting.

(d) ***Modifications for smaller transactions***

If each of the percentage ratios relating to a related party transaction is less than 5 per cent. but one or more of the percentage ratios exceeds 0.25 per cent., a listed company does not need to comply with the requirements set out in paragraph 2.3(c) above. Instead, it must: (i) inform the FSA in writing of the details of the transaction; (ii) provide the FSA with written confirmation from an independent adviser acceptable to the FSA that the terms of the transaction are fair and reasonable as far as the shareholders of the listed company are concerned; and (iii) undertake in writing to the FSA to include details of the transaction in the listed company's next published annual accounts.

2.4 **UK Listing Rules Chapter 12—Dealing in own securities and treasury shares**

The rules in Chapter 12 regulate the timing and manner of purchases by a listed company of its own shares and sales of treasury shares.

(a) ***Prohibition on share purchases during prohibited periods***

Listed companies and members of their group cannot purchase or redeem (including early redemption of) their own securities during a prohibited period, unless: (i) the listed company has made advance disclosure of the specific trades of fixed quantities of shares; (ii) the listed company has in place an independently managed buy-back programme executed by a third party; (iii) the value of the securities would likely be

affected by the publication of the information giving rise to the prohibited period; or (iv) the listed company is redeeming securities (other than equity shares) in accordance with their specific terms of issue.

(b) ***Purchases from related parties***

Buy-backs of shares or preference shares from related parties must comply with the rules in Chapter 11 unless a tender offer is made to all holders of the relevant class of securities or, in the case of a market purchase under a general authority granted by shareholders, the buy-back is made without prior understanding, arrangement or agreement between the listed company and the related party.

(c) ***Purchase of own shares***

Unless a general tender offer is made, purchases by a listed company of less than 15 per cent. of any class of shares pursuant to a general authority granted by shareholders may only be made if the offer price is 5 per cent. above the average market value for the five business days before the trade is made. Purchases of 15 per cent. or more of any class of shares must be by way of general tender offer to all holders of the relevant class of securities.

Any proposals from the board of directors put to shareholders (as well as the ultimate outcome of the vote) to authorise a listed company to purchase its own shares must be notified to a RIS setting out details of the proposal. Any consequent purchases must also be notified.

Where a listed company proposes to buy any of its convertible securities it must ensure that there are no dealings in the relevant securities by or on behalf of a listed company or any member of its group until the proposal has been notified to a RIS or abandoned. Any decision to purchase must also be notified to an RIS as must any purchases, early redemptions or cancellations of its convertible securities by or on behalf of a listed company or any member of its group when an aggregate of 10 per cent. of the initial amount of the relevant class of shares has been purchased, redeemed or cancelled and for each 5 per cent. in aggregate acquired thereafter.

Where, in the course of 12 months, a listed company purchases warrants or options over its own shares (excluding treasury shares), which on exercise would represent 15 per cent. or more of the listed company's existing issued shares, the listed company must send a circular to its shareholders containing a statement of the directors' intentions regarding future purchases of the listed company's warrants and options, and details and material terms of the purchases.

All such notifications must be made to an RIS as soon as possible, and in any event by no later than 7.00 a.m. (London time) on the business day following the calendar day on which the purchase occurred or relevant threshold was breached.

(d) ***Treasury shares***

During a prohibited period, treasury shares cannot be sold for cash or transferred for the purposes of an employees' share scheme except in certain specific circumstances.

If, by virtue of holding treasury shares, a listed company is allotted shares as part of a capitalisation issue, the listed company must notify the details to a RIS as soon as possible, and in any event by no later than 7.00 a.m. (London time) on the business day following the calendar day on which the allotment occurred. Any sale for cash, transfer for the purposes of an employees' share scheme or cancellation of treasury shares by a listed company must also be notified to a RIS as soon as possible, and in any event by no later than 7.00 a.m. (London time) on the business day following the calendar day on which the event occurred, with details of the relevant transaction.

(e) ***Exceptions***

The prohibitions outlined in (a) to (d) above do not apply to transactions in the ordinary course of business by a securities dealing business or on behalf of third parties (either by the listed company or any member of its group), if a listed company maintains information barriers between those responsible for any decision relating to the relevant transaction and those in possession of inside information relating to the company.

2.5 UK Listing Rules Chapter 13—Contents of Circulars

All circulars issued by listed companies to their shareholders must comply with the content requirements of Chapter 13.

(a) ***Approval of circulars***

A listed company may not distribute a circular unless it has been approved by the FSA except where: (i) it relates to certain specified matters, such as a change in a listed Company's name, a reduction of capital or a bonus issue; (ii) it complies with the content requirements of Chapter 13; and (iii) neither it nor the transaction it relates to has any unusual features.

Circulars relating to the purchase of a listed company's own shares must be approved by the FSA if the counterparty purchasing the shares is a related party or the exercise of the authority sought would result in the purchase of 25 per cent. or more of a listed company's issued shares (excluding treasury shares) except in certain circumstances.

(b) ***Requirements of all circulars***

Chapter 13 sets out requirements that must be met by any circular sent by a listed company to its shareholders, for instance, the circular must: (i) provide a clear and adequate explanation of its subject matter benefiting and risks; (ii) state why the shareholder is being asked to vote (or if no vote is required, why the circular is being sent); (iii) contain all information necessary to allow shareholders to make a properly informed decision where relevant; and (iv), where voting is required, contain a recommendation from the board as to the voting action shareholders should take, indicating whether or not the proposal described in the circular is, in the board's opinion, in the best interests of the shareholders as a whole.

(c) ***Class 1 circulars***

Class 1 circulars must include additional details relating to a listed company and its business. The requirements mirror some of the content requirements of prospectuses as set out in the Prospectus Rules.

Class 1 circulars must also contain a responsibility statement from the directors of a listed company confirming that to the best of the knowledge and belief of the directors, the information in the circular accords with the facts and does not make any material omissions. A statement as to the effect of the acquisition or disposal on the listed company's group earnings, assets and liabilities is also required.

(d) ***Related party circulars***

Every related party circular must contain some of the same information that is required to be included in a Class 1 circular (and if any percentage ratio relating to the transaction is 25 per cent. or more, the circular must contain all information required to be included in a Class 1 circular).

Where the related party concerned is or has within 12 months before a transaction been a director, shadow director or an associate of any director or shadow director of a group company, additional disclosure must be made in relation to the relevant director and his arrangements with a listed company (including details of his service contract, interests in shares and related party transactions).

Full particulars of the related party transaction must always be included and in the case of an acquisition or disposal of an asset that will result in a percentage ratio of 25 per cent. of more, if appropriate financial information is not available, an independent valuation must be included.

A statement by the board of a listed company must also be contained in the circular, stating the transaction is fair and reasonable as far as the shareholders are concerned and that the directors have been so advised by an independent adviser acceptable to the FSA. Any director who is, or an associate of whom is, the related party, or who is a director of the related party should not have taken part in the board's consideration of the matter, and a statement should also be included to that effect.

Chapter 13 sets out additional specific requirements for circulars relating to purchase of own shares, takeover offers, the acquisition or disposal of mineral resources, disapplication of pre-emption rights, directors' authority to all of shares, reductions of capital, scrip dividends, notice of meetings, constituted amendments and employee share schemes.

(e) ***Inclusion of financial information***

Financial information must be included in a Class 1 circular if: (a) a listed company is seeking to acquire an interest in a target company which will result in the consolidation of the target company's assets and liabilities with those of the listed company; (b) a listed company is seeking to dispose of an interest in a target company which will result in the assets and liabilities no longer being consolidated; or (c) the target company itself has acquired a target company within the last three year financial reporting period and the acquisition would have been a Class 1 transaction in relation to the listed company.

Any financial information included must be in a form consistent with the accounting policies adopted in a listed company's latest annual consolidated accounts and the listed company must cite all sources of its financial information where it discloses such information in a circular. If financial information has not been extracted directly from audited accounts, the circular must set out the basis and assumptions on which the information has been prepared. Investors must be provided with all necessary information to understand the context and relevance of non-statutory figures, including a reconciliation to statutory equivalents.

2.6 **UK Disclosure and Transparency Rules Chapter 3**

The purpose of DTR3 is to prevent market abuse by directors, other significant decision-makers of the company, and their connected persons. DTR3 applies in relation to UK-incorporated companies and to certain non-UK incorporated companies (including non-UK incorporated companies with securities admitted to trading on a regulated market where the UK is that issuer's home state, such as the Company).

(a) ***Classification***

DTR3 applies to dealings of PDMRs and their connected persons in the securities of the issuer. 'Connected persons' of a PDMR are: (i) members of the PDMR's family; (ii) body corporates with which the PDMR is associated; (iii) trustees of trusts (which are not pension schemes or share schemes), where the beneficiaries of such trusts include, or where the terms of such trusts may benefit, the PDMR or any of his connected persons mentioned in (i) and (ii) above; (iv) any partner of the PDMR or any of his connected persons mentioned in (i) to (iii) above; and (v) a firm that is a legal person in which the PDMR or one of his connected persons mentioned in (i) to (iii) above is a partner, or in which a partner is a firm in which the PDMR or one of his connected persons mentioned in (i) to (iii) above is a partner.

(b) ***Notification of transactions by PDMRs and their connected persons***

DTR3 provides that PDMRs and their connected persons must notify an issuer in writing of the occurrence of all transactions conducted on their own account in the shares of the issuer, or derivatives or any other financial instrument(s) relating to those shares, within four business days of the day on which the transaction occurred.

Examples of transactions which must be notified to the issuer include: (i) the acquisition of or disposal of shares, (ii) the acceptance of awards; (iii) the acceptance or receipt of an option or gifts from the issuer or a third party and the exercise of options by a PDMR; and (iv) the grant of security over shares.

(c) ***Content of DTR3 notifications***

The notification must contain the following information: (i) the name of the PDMR, or where applicable, the name of the person connected with the PDMR; (ii) the reason for the responsibility to notify; (iii) the name of the issuer; (iv) a description of the financial instrument; (v) the nature of the transaction; (vi) the date and place of the transaction; and (vii) the price and volume of the transaction.

(d) ***Issuer obligation to notify RIS***

Issuers must notify a RIS of the information set out in paragraph 2.6(c) above as soon as possible and no later than the end of the business day following receipt of the information by the issuer.

Generally, financial information must cover a three year financial reporting period, although there are exceptions to this, such as where a business has been in existence for less than three years. The financial information must also include a balance sheet, income statement, cash flow statement and a statement showing changes in equity, each with their explanatory notes as well as the accounting policies applied. An independent accountant's opinion setting out whether the information provided gives a true and fair view of the financial matters set out in it and has been prepared in a form consistent with the accounting policies of the listed company will usually be required. An accountant's opinion is not required if the target company: (i) is admitted to trading on the main market of the London Stock Exchange; or (ii) has its securities listed on an overseas investment exchange or admitted to trading on an overseas regulated markets; and, in either case, no material adjustment is needed to be made to the target company's financial statements to achieve consistency with the listed company's accounting policies.

If a profit forecast or profit estimate is included in a Class 1 circular it must comply with the Prospectus Rules requirements for a profit forecast or profit estimate, except that a listed company does not need to include a report on the forecast or estimate. It must, however, include a statement that the forecast or estimate has been properly compiled on the basis of assumptions stated and is consistent with the accounting policies of the listed company. If, prior to the Class 1 transaction, a listed company has

published a profit forecast or profit estimate relating to the listed company itself, a significant part of its group or the target, and the profit forecast or profit estimate remains outstanding, the listed company must either include it in the Class 1 circular or else include an explanation of why it is not longer valid.

3 SUMMARY OF UK CORPORATE GOVERNANCE CODE AND PROVISIONS RELATING TO THE DIRECTORS' REPORT ON CORPORATE GOVERNANCE

In connection with and following UK Admission, the Company will be required to comply with the UK Corporate Governance Code (the "UK Corporate Governance Code"). In light of this, the Hong Kong Stock Exchange has granted the Company waivers from the application of Appendix 14 (Code on Corporate Governance Practices) and Appendix 23 (Corporate Governance Report) to the Hong Kong Listing Rules that would otherwise apply to the Company upon HK Admission. Further details are set out in the section "Waivers and Exemptions from Hong Kong Laws and Regulations" in this Wrap.

Set out below is a non-exhaustive summary of certain provisions of the UK Corporate Governance Code that will apply to the Company from UK Admission, which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

In addition, the UK Listing Rules require premium-listed companies to include in their annual report and accounts a statement of how they apply the UK Corporate Governance Code's principles of good corporate governance and whether or not they have complied with its best practice provisions throughout the relevant accounting period. Where any of the provisions have not been complied with, the company must state the provisions in question, the period within which non-compliance occurred and the company's reasons for non-compliance.

The UK Listing Rules can be accessed via the internet at http://fsahandbook.info/FSA/html/handbook/LR and the UK Corporate Governance Code can be accessed via the internet at: http://www.frc.org.uk/corporate/ukcgcode.cfm.

3.1 Independent directors on the board

Under paragraph B.1 of the UK Corporate Governance Code, the board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision making and the board and its committees should have the appropriate balance of skills, experience independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

3.2 Audit Committee

Under paragraph C.3.1 of the UK Corporate Governance Code, the board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies the company chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as the company chairman. A "smaller company" is defined as one that is below the FTSE 350 throughout the year immediately prior to the reporting year. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.

The main role and responsibilities of the audit committee should be set out in written terms of reference (paragraph C.3.2 of the UK Corporate Governance Code) and the terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available, for example, by including the information on a website maintained by the company (paragraph C.3.3 of the UK Corporate Governance Code).

3.3 Remuneration Committee

Under paragraph D.2.1 of the UK Corporate Governance Code, the board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors. In addition the company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as the company chairman. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. Where remuneration consultants are appointed, a statement should be made

available for example, on the company's website) of whether they have any other connection with the company.

3.4 Nomination Committee

Under paragraph B.2.1 of the UK Corporate Governance Code, there should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The company chairman or an independent non-executive director should chair the committee, but the company chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the company chairmanship. The nomination committee should make available (for example, on the company's website) its terms of reference, explaining its role and the authority delegated to it by the board.

3.5 Directors' report on corporate governance

Under UK Listing Rule 9.8.6(5), premium-listed companies are required to include a statement as to its compliance with the UK Corporate Governance Code throughout the accounting periods in their annual reports and accounts. The statement must detail how the listed company has applied the main principles set out in the UK Corporate Governance Code in a manner that would enable shareholders to evaluate how the principles have been applied. Where any of the UK Corporate Governance Code's provisions have not been complied with, the relevant provisions must be specified, the period of non-compliance stated and the reasons for non-compliance given.

The UK Corporate Governance Code affects the presentation and content of a company's published annual report and accounts. In addition to the "comply or explain" requirement in the UK Listing Rules, the UK Corporate Governance Code prescribes that numerous disclosures be made in the annual report, usually in the directors' report on corporate governance, including: (i) a statement as to how the board operates; (ii) the number of meetings held by the board and its committees and attendance by individual directors; (iii) identification of each non-executive director whom the board considers to be independent and reasons for determining his or her independence; (iv) how performance evaluation of the board, its committees and individual directors has been conducted; (v) an explanation by the directors of their responsibility for preparing the accounts in the annual report; (vi) a description of the company's business model; (vii) a statement that the business is a going concern (also to be included in any half-yearly financial statements); (viii) certain details regarding the audit committee and external auditors; and (ix) the steps taken by the board to ensure that members of the board have developed an understanding of the views of the major shareholders of the company.

The statement of compliance with the UK Corporate Governance Code and the going concern statement referred to above must be reviewed by the auditors in respect of certain of the UK Corporate Governance Code's requirements which deal with audit and accountability, and should be objectively verifiable.

In addition, the directors of premium-listed companies are required by the UK Listing Rules to report on directors' remuneration and benefits in the annual reports and accounts, usually as part of the directors' report on corporate governance.

4 MATERIAL SHAREHOLDER PROTECTION MATTERS

The attachment to the Joint Policy Statement distils certain key shareholder protection matters to ensure that overseas incorporated companies listed in Hong Kong have appropriate standards of shareholder protection that are at least equivalent to those required for a Hong Kong incorporated company. With respect to some of the matters set out in the attachment to the Joint Policy Statement, shareholder protections afforded to shareholders of companies incorporated in Jersey are not at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong. In respect of those matters, the Company is satisfied that either: (a) such matters have been appropriately provided for in the Articles; (b) such matters are broadly commensurate with those protections afforded to shareholders of companies incorporated in Hong Kong on the grounds that there are nevertheless appropriate material shareholder protections under Jersey law in respect of such items; or (c) the Hong Kong Stock Exchange has confirmed that the Company may incorporate alternative provisions in the Articles in respect of certain matters (see 4.1 and 4.2 below).

See the section headed "Summary of Certain Rules and Regulations Applicable to the Company—Summary of Applicable Jersey Company Laws" for a summary of applicable Jersey law and Section X: "Additional Information—Summary of the Articles of the Company" in the International Prospectus for a summary of the Articles.

4.1 Notice period for convening a meeting to consider a special resolution

The Joint Policy Statement requirement is that overseas companies must ensure that any annual general meeting or any extraordinary general meeting at which a resolution that requires the approval of members by three-quarter majority vote will be proposed shall be convened by giving at least 21 days' written notice and that any other general meeting shall be convened on at least 14 days' notice. Jersey law requires that all shareholder meetings are convened on not less than 14 days' notice.

Under the Articles, general meetings (other than the annual general meeting of the Company which shall be held on 21 clear days' notice) shall be called by notice of at least 14 clear days.

4.2 Loans to directors

The Joint Policy Statement requirement is that the circumstances under which an overseas company may make loans, including quasi loans and credit transactions, to a director must be confined to circumstances no less stringent than those permitted for a Hong Kong incorporated company.

The Company has the ability, under the Articles, to make a loan to a Director to meet expenditure incurred or to be incurred by him or her in defending any regulatory, civil or criminal proceedings brought against such a Director (or to enable him or her to avoid incurring such expenditure). The repayment terms of any such loans will be dependent on whether a Director is successful in defending such proceedings. If a Director is successful in defending such proceedings, the advance shall be treated as part satisfaction of the Company's ability to indemnify a Director for any costs incurred by him or her in successfully defending such proceedings. To the extent that a Director is not successful in defending such proceedings, the amount advanced must be repaid to the Company.

Under the UK Listing Rules, loans to directors to meet expenditure incurred or to be incurred by him or her in defending against civil or criminal proceedings brought against such directors are specifically exempted from the requirements of Chapter 11 of the UK Listing Rules on related party transactions unless such loans have unusual features.

Pursuant to section 157H of the Companies Ordinance, a Hong Kong incorporated company would not be permitted to advance money to directors to assist them in defending civil and criminal proceedings. However such loans are not prohibited under the laws of Jersey and accordingly the Company has the ability under its Articles to make such loans.