



Policy
on
Communication with
External Parties

Company Secretary

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CHINA ENERGINE GROUP

POLICY ON COMMUNICATION WITH EXTERNAL PARTIES

Dealing with media speculation, market rumours and analysts' reports

1. The Chairman, the Chief Executive, the Executive Vice President, the Financial Controller and the Company Secretary are the only directors and senior executive being charged with the responsibility for communication with parties outside the Company. Other directors and/or executives should be prohibited from communicating information except on the occasion that they are nominated by Chairman or otherwise on an ad hoc basis.
2. The directors and senior management are generally under no obligation to respond to media speculation, market rumours or analysts' reports. However, if the Company has inside information¹ and relies on a Safe Harbour² to withhold disclosure subject to the preservation of confidentiality, the existence of media speculation, market rumours or analysts' reports about the Company might indicate that matters intended to be kept confidential have leaked. In particular, where media speculation, market rumours or analysts' reports are largely accurate and the information underlying the speculation, rumours or reports constitutes inside information, it is likely that confidentiality has been lost, thus the Safe Harbour falls away and public disclosure is required. Accurate and extensive rumours and media speculation, even where included in analysts' reports, are unlikely to represent information that is generally known and accordingly disclosure by the Company Secretary is necessary.
3. If the Company does not have inside information but media reports or market rumours carry false or untrue information, the directors and senior management are not obliged

¹ "Inside information" refers to section 307A(1) of the Securities and Futures Ordinance (hereafter referred to as "the SFO"), where it 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 "Safe Harbour" refers to the Safe Harbour Provisions as set out in section 307D of the SFO.

to make further disclosure under the SFO. This notwithstanding, under the Rules Governing the Securities Listed on the Stock Exchange of Hong Kong Limited (“the Listing Rules”), the Stock Exchange of Hong Kong Limited (“the Exchange”) may require the Company to provide disclosure or clarification beyond that required by the SFO, for example the issue of a negative announcement to confirm that a rumour is false. The fact that the Company Secretary on behalf of the Company issues an announcement as requested by the Exchange for the purposes of the Listing Rules would not in itself imply that the Company has failed to meet the disclosure obligation for inside information under the SFO. If the Company wishes to respond to rumours, the Company should do so by making a formal announcement, rather than making a remark to a single publication or by way of a press release. This will ensure that the whole market is equally and properly informed.

4. The directors and senior management should ensure that no inside information is given when answering an analyst’s questions or reviewing an analyst’s draft report. It is inappropriate for a question to be answered, or draft report corrected, if doing so involves providing inside information. When analysts visit the Company, care should be taken to ensure they do not obtain inside information.
5. In some circumstances, the directors and senior management do not have inside information but an analyst’s report contains errors or misinterpretations by, for example, using out of date data, or misreading or misinterpreting historical information of the Company especially where the Company’s business is complex and / or comprised many different divisions. In such cases, unless the directors and senior management knows of inside information relevant to the analyst’s report which has not been disclosed, strictly speaking the directors and senior management are not obliged to make a correction or clarification under the SFO. It may nevertheless be appropriate, as a matter of good practice, for the Company to clarify historical information and correct any factual errors in the analyst’s assumptions which are significant to the extent that they may mislead the market, provided any clarification is confined to drawing the analyst’s attention to information that has already been made available to the market. If the directors and senior management become aware of inside information that would correct a fundamental misconception in the report, public disclosure of such information would be necessary. Nonetheless, the directors and senior management are under no legal obligation to track reports prepared by third parties.

6. Conduct of meetings with analysts

- 6.1. There must be at least two officers in capacity of directors or senior management to have meeting with analysts in effort to avoid any concerns or risk of being misinterpreted or mistakenly accused of providing inside information following meetings with analysts. Should the officers have concerns in ascertaining inside information for the purposes of not divulging them to the analysts, the meeting could only be held when the Company Secretary also joins the meeting as the adviser and compliance officer thereon in ensuring that no inside information be supplied to the analysts.
- 6.2. All discussions in the meeting with analysts or public conference must be recorded by the Company Secretary or his designates.
- 6.3. The directors may consider opening up such meetings to the press and the public, or announcing in advance the fact of an analyst meeting and, where inside information is to be made public, publishing at the same time as the information is to be disclosed as required by the SFO.

7. Questions from analysts and correction of analysts' forecasts

- 7.1. All of the inside information answered to analysts by directors and senior management must only be confined to those already disclosed in the announcements, circulars and reports published.
- 7.2. All unpublished inside information (via announcements, circulars and reports) and potential inside information are not to be supplied to any outside parties, with special emphasis on the dissemination of any unpublished financial figures.
- 7.3. "No comments" shall be the only answer given by directors and senior management for other unpublished inside information to avoid their dissemination.
- 7.4. Where any information is incorrectly interpreted by analysts and is materially incorrect, the directors and senior management is to ask the analysts to correct it immediately.

8. Questions from journalists

- 8.1. Relationships with the press and other media, in particular involving inside information must be carefully managed with involvement of the Company Secretary having regard to the following.
- 8.2. In the case of inaccurate reporting, the Company Secretary will consider clarifying the situation by issuing an announcement and, if necessary, seeking a suspension of trading in the Company's securities until the announcement is made.
- 8.3. When confronted with questions by journalists about rumours circulating in the market, the directors and senior management should be prepared to give a "no comment" answer where journalists are pressing for unannounced inside information consistently.
- 8.4. Where sufficient inside information has been leaked for the reported story to be broadly accurate, the Company Secretary representing the Company is to make an announcement to guarantee that the correct information is widely available.
- 8.5. There will be no release of negative news by way of press release in weekend newspapers or on public holidays in an attempt to soften its impact.

9. Making parties "insiders"

- 9.1. In times of giving information in confidence to, for example, prospective financiers, potential business partners, underwriters or other parties with whom they are negotiating, the directors and senior management must, before the meeting, advise the relevant party that, if he attends the meeting, he must keep the relevant information strictly confidential and that he will not be able to deal in the issuer's securities before the information is made public. The party's consent to being made an 'insider' will be recorded on the basis of being as long as necessary.
- 9.2. If the length of discussion or negotiation is fairly long for the purposes of recording the consents as referred to under 9.1, the directors and senior management of the Company will request them to sign a non-disclosure agreement as the form of consent.