

Appendix 1

Key Concerns

(i) Lack of governance

- Issuers claiming stock purchases as **long-term strategic investments**
 - But engaged in **frequent buying and selling** without achieving material benefits over time
- Issuers cited **treasury management** to utilise **idle funds**
 - But ultimately “parked” these temporary funds at **illiquid and risky investment vehicles**
- Issuers asserted that activities aimed to **enhance shareholders’ value**
 - But many incurred **investment losses**

(ii) Disclosure is overly limited and generic

(iii) HKEX’s recommendations

- Directors should **critically evaluate** whether investment activities are a **proper use of shareholders’ funds**, and whether they align with **shareholders’ investment expectations** and the issuer’s **direction and strategy**
- Issuers holding a **substantial amount of cash in excess of the operation needs from their principal businesses** and/or **investing heavily in securities** are strongly encouraged to **formulate and execute a dividend policy** to enhance shareholders’ return, with **detailed disclosure** in line with the new Rules
- Issuers considering securities trading as a **business** must ensure they have adequate **expertise, infrastructure, and control mechanisms**
- **Improve disclosure** in financial reports and other regulatory filings by giving a detailed account of the **investment policy and objectives, risk management and control measures** and **approval and oversight mechanisms**