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# CHAPTER 11: MAIN BOARD LISTING RULES

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### ¶11-010 Corporate structure

Rule No. / Corporate Governance Code No.	Designation	Function	Number	Remarks
Rule 3.05 – 3.07	Authorised representatives	Chancel of communication with the Stock Exchange (HKEx)	either 2 directors or a director with the company secretary	<ul style="list-style-type: none"> <li>• Contact details must be given to the HKEx. If outside of Hong Kong, alternates have to be appointed, OR, specifically arranged with HKEX.</li> <li>• The role could only be terminated with prior notification to HKEx.</li> <li>• The company should appoint replacement.</li> <li>• HKEx has the power to request the termination of an authorized representative if the performance is not satisfactory.</li> </ul>

Rule 3.08-3.09A and Rule 13.51(2)	Directors (include executive directors, non-executive directors and independent non-executive directors)	Responsible for management and operations	<ul style="list-style-type: none"> <li>• Must fulfil the duties as specified in Rule 3.08 and A Guide on Directors' Duties published by the Companies Registry <a href="https://www.cr.gov.hk/en/companies_ordinance/docs/Guide_DirDuties-e.pdf">https://www.cr.gov.hk/en/companies_ordinance/docs/Guide_DirDuties-e.pdf</a>.</li> <li>• Each director must sign and submit the Declaration and Undertaking with regard to Directors to HKEx <a href="https://en-rules.hkex.com.hk/rulebook/declaration-and-undertaking-regard-directors">https://en-rules.hkex.com.hk/rulebook/declaration-and-undertaking-regard-directors</a>. Breach of directors' duties may lead to disqualification from being a director without leave of the Court. Cases: DBA Telecommunication (Asia) Holdings Limited <a href="https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=22PR13">https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=22PR13</a></li> </ul>
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<p>and Long Success International (Holdings) Limited <a href="https://apps.sfc.hk/redistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=21PR33">https://apps.sfc.hk/redistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=21PR33</a></p>				
<p>CV of each director must not contain incorrect information</p>				
<p>Enterprise Development Holdings Limited <a href="https://www.hkex.com.hk/News/Regulatory-Announcements/2022/220718news?sc_lang=en">https://www.hkex.com.hk/News/Regulatory-Announcements/2022/220718news?sc_lang=en</a></p>				
<ul style="list-style-type: none"> <li>• Each director must comply with the Model Code of Appendix 10.</li> <li>• Each director must inform HKEx their contact details and subsequent changes thereof. After resignation, any change should also be notified to HKEx within 28 days for a period of 3 years.</li> </ul>				

Rule 4.3.10-3.13	Independent non-executive directors (INEDs)	Share independent views and experiences	At least 3 or 1/3 of the board with at least one with professional qualifications or accounting or related financial management expertise	<ul style="list-style-type: none"> <li>Announcement on resignation and new appointment of director should be made as soon as practicable. New director should also sign the undertaking to HKEx and comply with all the shares trading / declaration of conflict of interests requirements. Names and respective roles of the directors have to be published in the website of HKEx and of the company.</li> </ul>
				<ul style="list-style-type: none"> <li>On appointment, each INED must submit a written confirmation to HKEx on independence pursuant to Rule 3.13(1) to (8) and annually to the company.</li> <li>If any of the Rule could not be complied with, HKEx must be informed accordingly and the company must explain in the announcement why it considers the INED fulfil the independence requirement. The explanation should also be stated in the annual report.</li> </ul>

Rule 3.28 & Appendix 14 F	Company Secretary	Advise the board of directors on compliance requirements and / or take minutes and keep records thereof		<ul style="list-style-type: none"> <li>• Professional qualifications:               <ul style="list-style-type: none"> <li>(a) a Member of The Hong Kong Chartered Governance Institute;</li> <li>(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and</li> <li>(c) a certified public accountant (as defined in the Professional Accountants Ordinance).</li> </ul> </li> <li>• Training: no less than 15 hours per financial year</li> <li>• Waiver of professional qualifications               <ul style="list-style-type: none"> <li>HKEx can waive such requirement e.g. Citic Securities Co Ltd (Stock Code 6030) <a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0211/2020021100800.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0211/2020021100800.pdf</a></li> </ul> </li> <li>• If the company secretary is from a service provider, disclosure of his / her primary corporate person is required.</li> </ul>
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## ¶11-020 Securities Trading of Directors

Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10) or code no less exacting has to be adopted. Directors must observe all the restrictions on insider dealing and market misconduct. These restrictions apply to the spouse of each director, minor child and investment managers who manage the investment funds of the director.

Absolute prohibitions:

- a. No dealing during the period of 60 days before the publication of the annual results or, if shorter, from the end of the relevant financial year up to the publication date of the financial results;
- b. The no dealing period is 30 days for half yearly or quarterly results or, if shorter, the period from the end of the quarterly or half yearly financial results up to the publication date of the results.

Notification to be made before dealing

- a. The company must have specified the chairman or a designated director to receive notification;
- b. A director must request for clearance to deal either to the chairman or to the director (other than himself);
- c. A response has to be given to the requesting director within 5 business days;
- d. The deal has to be made within 5 business days of receipt of the clearance to deal;
- e. The chairman has to send the request to the board of directors or to the designated director;
- f. There must be written records of the procedures in relation to the above.
- g. A director has an obligation to advise his co-trustee if he is acting as trustee of a trust, trustee of a trustee of which he is a beneficiary as well as his investment managers of his directorship in order that any dealing in its securities can be notified to the company in a timely order.

Note 1: Business day means any day on which the Exchange is open for the business of dealing in securities;

Note 2: Disclosure of non-compliance and remedial action have to be disclosed in the Corporate Governance Report pursuant to Appendix 14 Part 1G.

## ¶11-030 Registers

The company must maintain the following registers and notification be filed with the Companies Registry:

- a. NOTIFICATION OF PLACE OF DIRECTORS' AND CHIEF EXECUTIVES' REGISTER OF INTERESTS AND SHORT POSITIONS
- b. NOTIFICATION OF PLACE OF REGISTER OF INTERESTS IN SHARES AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Note:

Business days in the Securities and Futures Ordinance (Cap 571) means means a day other than—

a public holiday;

a Saturday; and

a gale warning day or a black rainstorm warning day as defined in section 71(2) of the

- a. Substantial shareholder means in relation to a company means a person (including a holder of depositary receipts) who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company, provided always that a depositary shall not be a substantial shareholder merely by reason of the fact that it is holding shares of the issuer for the benefit of the holders of depositary receipts. This definition is modified in the case of Chapter 14A by the provisions of rule 14A.29.
- b. Any change shall be filed within 10 business days.

**<https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=21PR132>**



### ¶11-040 Disclosure of interest

- A director holding any number of shares or any shareholder holding 5% of shares has an obligation to file the relevant form to declare his / her respective interest. Initial report has to be done within 10 business days once the director or individual holder is aware of the shareholding.
- Subsequent reporting is to be done within 3 business days. For director, this means any change in share number. For individual holder, any change in one whole percentage point of shareholding requires reporting.
- Appropriate codes for the nature of holding have to be inserted in the forms. Changes in some of the nature of holding may need to be reported pursuant to 2.9 of the Guidelines.
- If the change is small, 2.12.6 of the Guidelines should be checked to ascertain if reporting can be exempted.
- No netting off of the long and short position. If there are separate classes of shares, holding in different classes of shares should not be aggregated too.

[https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/outline-of-part-xv-of-the-securities-and-futures-ordinance-cap571-disclosure-of- \(Guidelines\)](https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/outline-of-part-xv-of-the-securities-and-futures-ordinance-cap571-disclosure-of- (Guidelines) interests/outlineofpartxvofthesecuritiesandfuturesordinancecap571disclosureofinterests.pdf)

[interests/outlineofpartxvofthesecuritiesandfuturesordinancecap571disclosureofinterests.pdf](https://www2.hkexnews.hk/shareholding-disclosures/disclosure-of-interests?sc_lang=en)[https://www2.hkexnews.hk/shareholding-disclosures/disclosure-of-interests?sc\\_lang=en](https://www2.hkexnews.hk/shareholding-disclosures/disclosure-of-interests?sc_lang=en)

### ¶11-050 Inside Information Provisions

Any possible breach will be referred by HKEx to the Securities & Futures Commission (SFC). The Guidelines on Disclosure of Inside Information has to be followed closely <https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/guidelines/guidelines-on-disclosure-of-inside-information/Guidelines-on-Disclosure-of-Inside-Information.pdf>.

Disclosure must be on a timely basis otherwise SFC may initiate legal proceedings against the company and any one in breach. Case: China Medical & HealthCare Group Limited

<https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=21PR48>

Those who possess inside information should not use such information for personal gain. Imprisonment is a possibility <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=21PR2>.

Compensation to investors is a possibility:

<https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=22PR8>

HKEx may also take enforcement actions against the directors and / or the company when there is a breach of the Listing Rules

[https://www.hkex.com.hk/News/Regulatory-Announcements/2022/220627news?sc\\_lang=en](https://www.hkex.com.hk/News/Regulatory-Announcements/2022/220627news?sc_lang=en)

Therefore, the classification of transactions and the corporate action required e.g. announcement, holding of general meeting or obtaining of shareholder resolutions should be followed in a timely manner:

<b>Transaction type</b>	<b>Assets ratio</b>	<b>Consideration ratio</b>	<b>Profits ratio</b>	<b>Revenue ratio</b>	<b>Equity capital ratio</b>
Share transaction	less than 5%	less than 5%	less than 5%	Less than 5%	less than 5%
Discloseable transaction	5% or more but less than 25%	5% or more but less than 25%	5% or more but less than 25%	5% or more but less than 25%	5% or more but less than 25%
Major transaction – disposal	25% or more but less than 75%	25% or more but less than 75%	25% or more but less than 75%	25% or more but less than 75%	Not applicable

<b>Transaction type</b>	<b>Assets ratio</b>	<b>Consideration ratio</b>	<b>Profits ratio</b>	<b>Revenue ratio</b>	<b>Equity capital ratio</b>
Major transaction – acquisition	25% or more but less than 100%	25% or more but less than 100%	25% or more but less than 100%	25% or more but less than 100%	25% or more but less than 100%
Very substantial disposal	75% or more	75% or more	75% or more	75% or more	Not applicable
Very substantial acquisition	100% or more	100% or more	100% or more	100% or more	100% or more

*Note: The equity capital ratio relates only to an acquisition (and not a disposal) by a listed issuer issuing new equity capital.*

### **¶11-060 Notification, publication and shareholders' approval requirements**

The table below summarises the notification, publication and shareholders' approval requirements which will generally apply to each category of notifiable transaction. However, listed issuers should refer to the relevant rules for the specific requirements.

	<b>Notification to Exchange</b>	<b>Publication of an announcement in accordance with rule 2.07C</b>	<b>Circular to shareholders</b>	<b>Shareholders' approval</b>	<b>Accountants' report</b>
Share transaction	Yes	Yes	No	No <sup>1</sup>	No
Discloseable transaction	Yes	Yes	No	No	No
Major transaction	Yes	Yes	Yes	Yes <sup>2</sup>	Yes <sup>3</sup>
Very substantial disposal	Yes	Yes	Yes	Yes <sup>2</sup>	No <sup>5</sup>

	<b>Notification to Exchange</b>	<b>Publication of an announcement in accordance with rule 2.07C</b>	<b>Circular to shareholders</b>	<b>Shareholders' approval</b>	<b>Accountants' report</b>
Very substantial acquisition	Yes	Yes	Yes	Yes <sup>2</sup>	Yes <sup>4</sup>
Reverse takeover	Yes	Yes	Yes	Yes <sup>2,6</sup>	Yes <sup>4</sup>