Frequently Asked Questions Series 1 (Released in March 2004/ Last Updated in ~~May~~ November ~~2015~~2016)

Rule Amendments relating to Corporate Governance and Listing Criteria Issues (effective 31 March 2004)

Status of "Frequently Asked Questions"

The following frequently asked questions (FAQs) are designed to help issuers to understand and comply with the Listing Rules, particularly in situations not explicitly set out in the Rules or where further clarification may be desirable.

Users of the FAQs should refer to the Rules themselves and, if necessary, seek qualified professional advice. The FAQs are not substitutes for the Rules. If there is any discrepancy between the FAQs and the Rules, the Rules prevail.

In formulating our "answers", we may have assumed certain underlying facts, selectively summarised the Rules or concentrated on one particular aspect of the question. They are not definitive and do not apply to all cases where the scenario may at first appear similar. In any given case, regard must be had to all the relevant facts and circumstances.

The Listing Division may be consulted on a confidential basis. Contact the Listing Division at the earliest opportunity with any queries.

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
1.	1.01, 14A.12(1)(b), 14A.13(2)	1.01, 20.10(1)(b), 20.11(2)	Under the revised Rules, the definitions of "close associate" and "associate" include any trustee by virtue of its capacity as such trustee, of which any director, chief executive or substantial shareholder (being an individual) or any of his family interests is a beneficiary of the trust. Do the definitions of "close associate" and "associate" include a trustee where the beneficiary of the trust is a company controlled by any of these parties?	Yes. For the purpose of the definitions of "close associate" and "associate", the interest of a director, chief executive or substantial shareholder or any of his family interests includes all beneficial interests directly or indirectly held by any of these parties. This would include the trustee of any trust of which a company beneficially controlled by a director, chief executive or substantial shareholder or any of his family interests is a beneficiary. Similarly, where the substantial shareholder is a corporation, "close associate" and "associate" include the trustee of any trust of which a subsidiary of the substantial shareholder is a beneficiary. *Note: Updated in July 2014.*
2.	3.10(2)	5.05(2)	Clarify the requirement of "appropriate professional qualifications". Clarify the requirement of "appropriate accounting and related financial management expertise"	There are two limbs to this requirement. Under the first limb, "appropriate professional qualifications" normally refers to a professional accounting qualification. For a candidate with other professional qualifications, issuers should also consider whether based on the experience and expertise of the candidate, he can fulfil the requirement under Main Board rule 3.10(2)/ GEM rule 5.05(2). The note to Main Board rule 3.10(2)/ GEM rule 5.05(2) sets out what we would expect such

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				experience to be.
3.	3.10(2)	5.05(2)	Is a professional qualification obtained from an overseas jurisdiction acceptable, such as a PRC or Singapore qualified accountant?	Yes, a professional qualification obtained from a recognised body in an overseas jurisdiction would be acceptable.
4.	3.10(2)	5.05(2)	Can a solicitor be said to have appropriate professional qualifications, or does he need to have the appropriate experience?	A legal qualification is not considered to be the appropriate professional qualification even if the person has obtained some accounting knowledge in the course of his studies. A person with a legal qualification is acceptable if the person has the "appropriate accounting and related financial management expertise" required under the rules. The Exchange may question the factors the board has considered when making the decision to accept a person.
5.	3.10(2)	5.05(2)	Can a person who has served on the audit committee of an issuer for a number of years be considered to have the appropriate experience required under the rules?	Please refer to the note to Main Board rule 3.10(2)/ GEM rule 5.05(2) as to what the appropriate expertise means. Prima facie, we would not consider a person whose only experience has been a member of an audit committee to fulfil the criteria set out in the note to the rule.
6.	3.10(2)	5.05(2)	Is experience with a non-public company acceptable as having the appropriate accounting and related financial management expertise?	Generally no, but the Exchange recognises that experience and scope of duties of a candidate may demonstrate that he is capable of discharging the role required of such person as set out in Main Board rule 3.10(2)/ GEM rule 5.05(2). It is up to

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				the board to evaluate the totality of the individual's experience and education to consider if he is acceptable.
7.	3.13	5.09	If an existing NED meets the independence requirements, can he be re-designated as an INED so as to comply with the requirements effective 31 March 2004? Does an announcement need to be made for the re- designation?	Yes, an existing NED may be re-designated as an INED, but we will consider his present or past relationship with a connected person or the issuer. This will be considered on a case-by case-basis. Where, in order to meet the new requirements, a director needs to comply with any relevant cooling-off period under the Rules, the relevant cooling-off period needs to have ended by the date on which his confirmation of independence is given. An announcement needs to be made for re-designation of a director from NED to INED for transparency.
8.	3.13	5.09	If a non-executive director of an issuer is a legal adviser (say, a partner of a law firm) but for the past 1 year such director has not provided any relevant services to the issuer, and also such director fulfils the other guidelines of Main Board rule 3.13/ GEM rule 5.09, does this mean that such non-executive director can be an independent non- executive director of the issuer?	Yes, he can act as an INED provided that he or his firm is not providing or has not provided services to parties set out in Main Board rule 3.13(3)/ GEM rule 5.09(3) within 1 year before his appointment as an INED. If the firm (whether or not it is the director himself) still provides services, then he cannot act as an INED. Once the firm (whether or not he is directly involved) provides any services to the issuer or

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			If he is accepted as an INED and in future he provides services to the issuer again, will he continue to be considered independent?	core connected persons again, he will immediately cease to be considered as independent. *Note: Updated in July 2014.*
9.	3.13	5.09	An existing INED is a partner of a law/ CPA firm and this firm is currently providing legal/ accounting services to the issuer or its subsidiaries. Is this existing INED not qualified and does the issuer need to appoint a new one? How is materiality of the interest determined when considering independence? Are there any specific definitions or figures (e.g. %) that can be used as reference?	The individual is not qualified to act as an INED and the issuer needs to appoint a new one. However, he can still act as a non-executive director. Materiality must be assessed from the issuer's as well as the director's perspective. There is no specific figure – materiality needs to be determined on a case-by-case basis.
10.	3.21	5.28	Can a non-executive director who is a connected person of the issuer be a member of the Audit Committee?	Although the rules do not specifically prohibit this, we consider that members of the audit committee should be independent of connected persons.
11.	3.21	5.28	Can the qualified accountant (also executive director) be appointed as the audit committee's secretary?	We consider that the secretary of the audit committee should not be a person who is involved in the financial reporting function of the issuer.
12.	**(FAQ withdrawn on 30 September 2009)**			
13.	**(FAQ withdrawn on 30 September 2009)**			

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
14.	**(FAQ withdrawn on 30 September 2009)**			
15.	4.04, 4.06, 8.05	N/A	Under Rule 4.04 and 4.06, the Exchange has discretion to accept an accountants' report on an acquired company for a shorter period than 3 financial years immediately preceding the acquisition. Under what circumstances will the Stock Exchange exercise this discretion? Will a shorter accounting period be acceptable where the listing applicant can satisfy the market capitalisation/ revenue test under Rule 8.05?	The circumstances under which the Exchange will exercise this discretion are determined on a case-by-case basis. In the case of a new listing, if the applicant can satisfy the requirements, and is listed under the market capitalisation/ revenue test and has financial information for 3 financial years, then such information should be disclosed in the prospectus. If the business of the applicant has existed for less than 3 years, the financial information for that shorter period will be acceptable. Similarly, for a transaction (which is not an initial public offering), if the target company has been in existence for a period of less than 3 years, the accountants' report should cover the period since the commencement of business or incorporation of the target company.
16.	8.05(1)(c) / 8.05(2)(c) / 8.05(3)(c)~~8.05~~	11.12A(2)~~11.12~~	Please clarify the meaning of "ownership continuity and control" under Main Board Rule 8.05 and GEM Rule 11.12A(2).	This refers to continuous ownership and control of the voting rights attaching to the shares for the latest financial year of the trading record period up until the time immediately before the offering and/or placing becomes unconditional by: (i) a controlling shareholder as defined under the Listing

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				Rules, or; (ii) where there is no controlling shareholder, the single largest shareholder. The Exchange will consider the facts and circumstances and grant a waiver from strict compliance in appropriate cases.~~by a controlling shareholder or, where there is no controlling shareholder, a single largest shareholder.~~
17.	8.05	N/A	Under Rule 8.05, incidental income (not arising out of the principal business) and results of associated companies should not be accounted for in arriving at the profit figure. How will the results of a jointly controlled entity which has been accounted for by the proportional consolidation method under International Auditing Standards be treated?	Normally, results of jointly controlled entities will be excluded for the purposes of Rule 8.05, unless the issuer can demonstrate positive control over the entities.
18.	**(FAQ withdrawn on 1 February 2011)**			
19.	8.08	N/A	For a company with market capitalisation of over HK$10 billion, will the Exchange grant a waiver so that the public float is reduced to 15%? Can this 15% include any shares not listed in HK?	Rule 8.08 states that, at the time of listing, at least 25% of the issued share capital must be held by the public, and at least 15% must be listed on the Exchange. Therefore where a waiver is granted to reduce the public float to 15%, all the shares must be listed on the Exchange. However, if the issuer can demonstrate that a sufficient number of shares listed on the Exchange will be in the hands of the public, the Exchange may consider alternative

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				arrangements on a case-by-case basis.
20.	8.08(1)(b)	11.23(7)	Please clarify what the issuer's total issued share capital refers to for the purpose of calculating public float under Rule 8.08(1)(b)?	For the purpose of calculating public float under Main Board Rule 8.08(1)(b), the total issued share capital of an issuer (i.e. denominator) refers to all classes of shares in issue including shares listed on the Exchange and other regulated exchanges and other unlisted shares. *(Updated in September 2009)*
20A.	9.11(38), Appendix 1A Paragraph 41(1), Appendix 5 Form B/H/I Paragraph 2	12.26(9), Appendix 1A Paragraph 41(1), Appendix 6 Form A/ B/C Paragraph 2	A director of a listing applicant is subject to an investigation, hearing, proceeding or judicial proceeding in respect of which disclosure is prohibited by law. How does the director ensure that the listing document complies with the requirement in Appendix 1A Paragraph 41(1) regarding disclosure of all "other information which shareholders should be aware pertaining to the ability or integrity of such director"?	The director should assess whether the relevant investigation, hearing, proceeding or judicial proceeding relates to his ability or integrity. If yes, the director is encouraged to seek the consent from the relevant regulator or authority to confidentially disclose details of the investigation, hearing, proceeding or judicial proceeding to the Exchange for assessment of his suitability. If the director is unable to obtain the relevant consent, or the Exchange determines (following confidential disclosure by the director) that the investigation, hearing, proceeding or judicial proceeding gives rise to material concerns regarding his ability or integrity, the listing document will not be able to comply with Appendix 1A Paragraph 41(1) and he should resign from the

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				listing applicant. Note, if the director's position in the listing applicant is so material that his resignation will result in the listing applicant not being able to comply with the Listing Rules (e.g. the management continuity requirement), the listing applicant should not submit its listing application to the Exchange until the investigation, hearing, proceeding or judicial proceeding has been resolved *(Added in April 2015)*.
21.	**(FAQ withdrawn on 30 September 2009)**			
22.	13.13, 13.14, 13.16	17.15, 17.16, 17.18	Clarify whether the interest earned or the total advance should be the numerator for the consideration test for the purpose of Main Board rules 13.13, 13.14 and 13.16 (GEM rules 17.15, 17.16 and 17.18).	For the purpose of the total assets test and consideration test, the numerator should be the total advances (not the interest earned) plus any monetary advantage accruing to the entity or affiliated company. *Note: Main Board Rules 13.13, 13.14 and 13.16 (GEM rules 17.15, 17.16 and 17.18) were amended in March 2006. Under the revised rules, only the assets ratio is relevant to determining whether the threshold for the disclosure obligation is reached (Added in September 2009).*
23.	13.13,	17.15,	An issuer has previously made an	Provided that there is no increase in the advance

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	13.16	17.18	announcement on an advance to an entity or affiliated company in accordance with the pre-existing Practice Note 19 to the Main Board Rules or the new Main Board rule 13.13 (GEM rule 17.15). Does it have to make another announcement due to a change in market capitalisation?	previously disclosed, the issuer is not required to make another announcement as a result of a change in market capitalisation. If there have been further increases in the advance, the issuer will have to comply with the general disclosure obligation based on the market capitalisation as at the date of making additional advance to an entity or affiliated company. *Note: Main Board rules 13.13 and 13.16 (GEM rules 17.15 and 17.18) were amended in March 2006. Under the revised rules, only the assets ratio is relevant to determining whether the threshold for the disclosure obligation is reached (Added in September 2009).*
24.	**(FAQ withdrawn on 30 September 2009)**			
25.	13.14	17.16	Clarify when the general disclosure obligation under Main Board rule 13.14/ GEM rule 17.16 will be triggered for advances to an entity or affiliated company that have been announced in accordance with Main Board rule 13.13/ GEM rule 17.15.	Where there is any further increase in the advance previously announced in accordance with Main Board rule 13.13/ GEM rule 17.15, the issuer has to adopt the following 2-stage approach: • Firstly, the issuer must re-assess whether the increased balance has triggered the 8% threshold with reference to the latest financial figures and market capitalisation. If not, the

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				issuer is not required to make another announcement. • If it has, the issuer must consider whether the increment since the last announcement was made exceeds the 3% threshold for any of the size tests. If the 3% threshold is exceeded, the issuer will have to comply with the further disclosure requirement under Main Board rule 13.14/ GEM rule 17.16. *Note: Main Board rule 13.14 (GEM rule 17.16) was amended in March 2006. Under the revised rule, only the assets ratio is relevant to determining whether the threshold for the disclosure obligation is reached (Added in September 2009).*
26.	**(FAQ withdrawn on 10 May 2013)**			
27.	**(FAQ withdrawn on 30 September 2009)**			
28.	13.36(2)(a)	17.41(1)	Clarify whether an overseas legal opinion is required in the event that a proposed bonus issue of issue of warrants will exclude overseas shareholders.	Note 1 to Main Board rule 13.36(2)(a)/ GEM rule 17.41(1) states that the issuer must make enquiry regarding the legal restrictions under the laws of the relevant jurisdiction. It is up to the issuer to decide whether or not it should seek a legal opinion to support its analysis of compliance with the Rules.

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29.	13.36(2)(a)	17.41(1)	Is the requirement under Main Board rule 13.36(2)(a)/ GEM rule 17.41(1) only applicable to pre-emptive issues such as rights issues/ open offers?	It applies to any allotment, issue or grant of securities pursuant to an offer made to all shareholders where overseas shareholders are excluded on practical grounds.
30.	13.36(2)(b)	17.41(2)	Is there any limit on the number of refreshments of the general mandate during a year? How is the "one year" determined - from refreshment of the general mandate or with reference to annual general meetings?	There is no limit on the number of refreshments of the general mandate by Main Board and GEM issuers during a year. However, independent shareholders' approval is required for the second and subsequent refreshments during the year. The period of "one year" is a rolling one year period normally determined with reference to annual general meetings when a new mandate for the year is obtained.
31.	13.36(4)(e)	17.42A(5)	Please explain the top-up arrangement under refreshment of general mandate.	Under the new rules, an issuer wishing to top-up the unused portion of their previous general mandate, based on the enlarged issued share capital, needs only to obtain shareholders' approval. They can top up to the number of shares so that, in percentage terms, the unused part of the general mandate before and after the pre-emptive issue of securities is the same. <u>Example:</u> **Existing issued share capital**: 100,000 shares General mandate (20%) before

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				placing: 20,000 shares (20%) **Placing of 5,000 shares under the general mandate**: 5,000 shares **Issued share capital after placing**: 105,000 shares **Unused general mandate**: 15,000 shares (15% of 100,000 shares) **New shares issued under a 1 for 2 rights issue**: 52,500 shares **Issued share capital after right issue**: 157,500 shares Shareholders' approval will be required to top-up the general mandate from 15,000 to 23,625 shares (15% of 157,500 shares). Independent shareholders' approval will be required for an additional mandate for 7,875 shares (i.e. 5% of 157,500 shares).
32.	13.51(1)	17.50(1)	An issuer proposes to amend its bye-laws which will be approved at the forthcoming annual general meeting to be held after 31 March 2004.	If an issuer has already included details of the resolution to amend its bye-laws or other constitutive document in the notice of annual general meeting, it is not required to publish a

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			If the notice of the annual general meeting sets out the resolutions for amendments of the bye- laws, does the issuer need to publish a separate announcement on the amendments?	separate announcement on the amendments of the bye-laws.
33.	13.68	17.90	A director has a service contract without a fixed term which is terminable by either party by giving notice of 6 months. Is shareholders' approval necessary as the contract may be for a term that may exceed 3 years?	The purpose of the rule is to ensure that the issuer is not unduly burdened by service contracts that are for an inordinate length or which require heavy compensation or lengthy notice for early termination. Such contingent liabilities may be significant, in which case, shareholders' approval must be obtained for these service contracts. In this case, we consider that there is no significant commitment on the issuer as there is no specific term and only six months notice is required. Therefore, the contract does not need to be approved by shareholders.
34.	13.68	17.90	Is shareholders' approval required for a director's service contract with a fixed term of 3 years, but requiring a notice of 6 months before termination after the fixed term? The contract does not mention the compensation for early termination of the fixed term. It expressly states however that, if the contract is terminated when the remaining term is more than 1 year, compensation in dollars	Yes, shareholders' approval is required because the service contract is of a fixed term of 3 years and a notice of 6 months is required for termination after the fixed term and accordingly, the service contract may endure for more than 3 years. In addition, the service contract will be subject to shareholders' approval because it expressly provides for a scenario where more than 1 year's

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			for the remaining term will be needed. Will this contract require shareholders' approval?	remuneration will be payable in order to terminate the contract.
35.	13.68	17.90	Is an "employment contract" with a director the same as a director's "service contract" and should it be treated as a notifiable transaction?	We would expect an "employment contract" with a director to contain the terms upon which he is to provide his services to issuer. We consider that as the director is also an employee, an employment contract should be subject to the same disclosure and shareholders' approval requirements as for service contracts if it falls within the situation described in Main Board rule 13.68/ GEM rule 17.90. Directors' employment contracts are not subject to the requirements of notifiable transactions.
36.	13.70	17.46B	After despatch of the notice of a general meeting, an issuer receives a notice from a shareholder to propose a person for election as a director at the general meeting. Clarify the disclosure requirements for the announcement or supplementary circular in respect of the nomination.	Issuers must publish details of the candidate as required under Main Board rule 13.51(2)/ GEM rule 17.50(2) in an announcement or supplementary circular. The issuer must also assess whether or not it is necessary to adjourn the meeting of the election to give shareholders at least 10 business days to consider the relevant information disclosed in the announcement or supplementary circular. *Note: Main Board rule 13.70/ GEM rule 17.46B were amended in June 2010 to change the*

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
				notice period from 14 calendar days to 10 business days (Added in July 2010).
37.	13.74	17.46A	Regarding disclosure of biographical details of directors to be elected at a general meeting, is it sufficient for such information to be disclosed in the annual report if the election is to be proposed at an Annual General Meeting, or is it necessary to include details in the notice, or should another circular be sent to shareholders?	Main Board rule 13.74/ GEM rule 17.46A states that disclosure of the details must be made in the notice or accompanying circular. For appointments at the AGM, if the annual report is the accompanying circular, then reference to the annual report is acceptable as long as there is no doubt as to where the information can be found and to which director reference is being made and the disclosure requirements of Main Board rule 13.51(2)/ GEM rule 17.50(2) have been complied with. It is not necessary to send another circular if details are included in the annual report. However, for appointments at times other than at the AGM, reference to the annual report is not acceptable. Certain shareholders as at the date when disclosure is made under Main Board rule 13.51(2)/ GEM rule 17.50(2) may not have been so when the circular or notice of AGM was sent. Also, there may have been changes in the information previously published which will need to be updated. Therefore incorporation of information by reference to other documents is not acceptable.
38.	**(FAQ withdrawn on 30 September 2009)**			

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
39.	14.04(8)	19.04(8)	Is financial assistance given by a company holding a Money Lender Licence or by a licensed corporation under the Securities & Futures Ordinance (e.g. margin financing) considered to be financial assistance provided in the ordinary and usual course of business for the purpose of notifiable transaction rules?	The new rules state that only a banking company provides financial assistance in its ordinary and usual course of business. A banking company is defined as a bank, a restricted licence bank or a deposit-taking company as defined in the Banking Ordinance or a bank constituted under appropriate overseas legislation or authority. Neither of these entities is included in the definition of a banking company and therefore neither will be treated as providing financial assistance in their ordinary and usual course of business under the rules. *Note: Main Board rules 14.04(1)(e) and 14.04(8) (GEM rules 19.04(1)(e) and 19.04(8)) were amended in March 2006. Under the revised rules, financial assistance provided by a securities house (i.e. a corporation licensed or registered under the Securities and Futures Ordinance for Type 1 (dealing in securities) or Type 8 (securities margin financing) regulated activity) under rule 14.04(1)(e)(iii) will also be regarded as financial assistance provided in the ordinary and usual course of business for the purpose of notifiable transaction rules. (Added in September 2009).*

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
40.	**(FAQ withdrawn on 30 September 2009)**			
41.	**(FAQ withdrawn on 30 September 2009)**			
42.	**(FAQ withdrawn on 30 September 2009)**			
43.	**(FAQ withdrawn on 30 September 2009)**			
44.	14.07(1)	19.07(1)	For the purpose of the total assets test, can negative goodwill be excluded as it will reduce the total asset value?	Negative goodwill must be included in accordance with SSAP 30 which states that negative goodwill should be presented as a deduction from the assets of the reporting enterprise, in the same balance sheet classification as goodwill. Accordingly, for the purpose of the total assets test, we expect negative goodwill to be deducted from the total assets value.
45.	14.07(1)	19.07(1)	On the acquisition of an asset, say an equity interest, will the total assets test be applicable?	The total assets test will apply to acquisitions of assets. If the book value of an asset to the vendor is unknown, the issuer must use the value of assets to be recorded in its books as the numerator of the total assets test. This would be the consideration payable, together with liabilities assumed (if any).
46.	14.07(3)	19.07(3)	If an issuer disposes of listed investment, should it adopt the turnover of the listed	If the target is not consolidated in the accounts of the issuer, it should use the dividend income as the

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
			investment or the dividend income from the listed investment as the numerator of the revenue test?	numerator. If the target is consolidated in the books of the issuer, it should use the revenue as disclosed in the annual report as the numerator.
47.	14.07(4)	19.07(4)	Should the market capitalisation be the product of the average closing price for the 5 preceding business days and the existing issued capital on the date of the transaction or the average market capitalisation for the 5 preceding days? There will be a difference if the issued capital is not the same during the 5 day period. Also, is the average closing price the simple average or the weighted average?	Normally, in the absence of changes to the number of shares in issue, market capitalisation will be calculated using the simple average closing price for the 5 preceding business days and the number of shares in issue at the date of the transaction. Where such calculation produces anomalous results, for example, if there have been issues of new securities during the five-day period before the transaction, the Exchange may require issuers to submit alternative computation that provides the most meaningful basis of calculation of their market capitalisation.
48.	14.07(4)	19.07(4)	For the consideration test, does the total market capitalisation include the market value of all classes of securities? Please clarify if preference shares and warrants should be included.	Market capitalisation is based on equity shares only. Preference shares and warrants are not included for the purpose of the market capitalisation calculation under Chapter 14.
49.	14.07(4)	19.07(4)	Please clarify how the market capitalisation is calculated if the issuer has unlisted shares or shares listed in other markets, such as H-Share issuers with A and B Shares.	The market capitalisation for the purpose of the consideration test is calculated with reference to the total issued share capital of the issuer. The market value of unlisted shares and shares listed on other exchanges is extrapolated from the market value of the shares listed on the Exchange

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				for the 5 days preceding the date of the transaction.
50.	14.14	19.14	For the purpose of computing the revenue test of a banking company, please advise which figure should be used for the denominator: interest income, interest income net of interest expenses or operating income?	Net interest income plus other operating income. Operating income is as defined in FD-1: Financial Disclosure by Locally Incorporated Authorized Institutions in the Supervisory Policy Manual issued by the HKMA.
51.	**(FAQ withdrawn on 30 September 2009)**			
52.	14.16(1)	19.16(1)	Adjustment is required to total assets for proposed dividend. If the dividend has a scrip alternative and subsequently scrip shares are issued, how should the total assets be adjusted? If the dividend is proposed by a listed subsidiary of the issuer, is any adjustment required to be made by the issuer to its total assets?	A scrip dividend will not have an impact on total assets. However the issuer may not at the relevant time be able to determine to what extent scrip shares will be issued. Therefore where adjustment is being made for the proposed dividend, the issuer should assume that the total dividend is paid in cash unless the number of scrip shares to be issued is known. Adjustment to total assets should be made to the extent that the total consolidated assets will be reduced by the dividend to be paid by the subsidiary.
53.	14.20	19.20	For the profits test, if an issuer has incurred a net loss in its latest published accounts, is it required to submit a 5 tests calculation for	Yes, it is required to submit a 5 tests calculation. If an issuer incurred a net loss, it should submit alternative tests in respect of profitability (such as a

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			all potential notifiable transactions since the alternative test has to be agreed by the Exchange?	gross profit comparison). In addition, where any of the 5 tests cannot be calculated, the issuer should, at the time of submission of the tests to the Exchange, submit alternative tests (if any) for our consideration.
54.	**(FAQ withdrawn on 1 April 2015)**			
55.	14A.06(3), 14A.06(17), 14A.88	20.06(3), 20.06(17), 20.86	Margin financing activity is the principal business of a securities company. Will such transactions be considered as financial assistance and will the issuer be required to comply with the disclosure requirement? Does "banking company" include a company with a money lender licence?	Margin financing activity is financial assistance and a securities company is not a banking company. Therefore the issuer will have to comply with the disclosure, reporting and/or shareholders' approval requirements. The definition of "banking company" does not include a company with a money lending licence. *Note: Rule reference updated in July 2014.*
56.	**(FAQ withdrawn on 30 September 2009)**			
57.	**(FAQ withdrawn on 30 September 2009)**			
58.	**(FAQ withdrawn on 2 July 2010)**			
59.	**(FAQ withdrawn on 1 July 2014)**			
60.	**(FAQ withdrawn on 30 September 2009)**			

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
61.	**(FAQ withdrawn on 30 September 2009)**			
62.	**(FAQ withdrawn on 30 September 2009)**			
63.	**(FAQ withdrawn on 30 September 2009)**			
64.	Appendix 3	Appendix 3	Do issuers incorporated outside of Hong Kong need to amend their articles of association to comply with the new requirements of Appendix 3?	Yes, the requirements of Appendix 3 apply to all issuers, wherever incorporated.
65.	Appendix 3	Appendix 3	In respect of amendments to its constitutional documents, if a provision of Appendix 3 is already covered by the law of the issuer's jurisdiction of incorporation (e.g. Bermuda), is the issuer still required to amend its constitutional documents to comply with Appendix 3?	We understand that the provisions of Appendix 3 and, in the case of an issuer not incorporated in Hong Kong, Appendix 13, are not already covered by the relevant law(s).
66.	**(FAQ withdrawn on 30 September 2009)**			
67.	Appendix 3	Appendix 3	Regarding the new requirement for an issuer to issue an announcement on any proposed amendment to its memorandum or articles association, will the issuer be required to publish any further announcements regarding adoption of such proposed amendments?	Issuers are not required, under the rules, to publish any further announcement on the adoption of amendments to articles of association. However, issuers are encouraged to do so to promote transparency.
68.	Appendix 3,	Appendix 3,	In respect of the nomination of a person for	No, this cannot be 2 days before AGM. We would

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
	Paragraphs 4(4) and 4(5)	Paragraphs 4(4) and 4(5)	election as a director, when does the nominee have to submit his confirmation of willingness to accept such nomination? Can this be 2 days (for example) before AGM date?	expect that the confirmation of willingness to accept the nomination to be submitted to the issuer at the same time as the nomination of the person for election as a director.
69.	Appendix 3, Paragraphs 4(4) and 4(5)	Appendix 3, Paragraphs 4(4) and 4(5)	Paragraphs 4(4) and 4(5) of Appendix 3 have been amended to provide that the lodgement period for nomination of directors by shareholders should commence no earlier than the day after the despatch of the general meeting notice and end no later than seven days prior to the date of such meeting. Does this mean that issuers cannot accept a notice to propose a person for election as a director earlier than the day after the despatch of the notice of the general meeting appointed for the election?	One of the purposes of paragraph 4(5) is to stipulate the earliest date which may be used for calculating the minimum 7-day period required under paragraph 4(4). It is not intended to prevent issuers from accepting a notice of nomination earlier than the day after the despatch of the notice if such is permitted under the issuer's articles of association or equivalent document and the applicable law. An issuer should itself formulate the appropriate wording for any proposed amendment to its articles of association or equivalent document for the purpose of complying with paragraph 4(5).
70.	Appendix 10	5.46 to 5.68	Is there any requirement to formally adopt the Model Code if the issuer follows exactly the rules in the Model Code?	An issuer needs to formally adopt either the Model Code or a code of its own. If it adopts a code of its own, its terms must be no less exacting than the terms of the Model Code. Any breach of its own code will not be a breach of the Listing Rules unless it is also a breach of the required standard contained in the Model Code.

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
71.	Appendix 10	5.46 to 5.68	The issuer has followed a code of conduct regarding securities transaction by directors for many years. However, such code has not been formally approved by resolution of the directors. Is it necessary to formally approve such Code of Conduct in directors meeting?	Yes, or else the code cannot be said to have been adopted.
72.	Appendix 10	5.46 to 5.68	A director enters into a share dealing agreement prior to the black-out period. Will the director be considered as dealing in shares if completion of the share dealing agreement takes place during the black-out period?	This will not be treated as a dealing provided the pricing is fixed (in monetary terms) before the black-out period and completion takes place pursuant to the original terms of the agreement.
73.	Appendix 10 Paragraph 7(d)(iv)	5.52(4)(d)(iv)	Is the exercise of share options by a director under an employee share option scheme pursuant to Chapter 17 (where the Exchange has approved the listing of the shares granted under the scheme) subject to the black-out period in respect of dealings by directors?	No, it is not subject to the black-out period provided that a director exercise his share options at the pre- determined exercise price, being a fixed monetary amount, determined at the time the options were granted. However, unless there are exceptional circumstances, a director may not otherwise deal in shares during the black-out period. One should also keep in mind that, under the Model Code, the granting of options is subject to the same black-out period.
74.	Appendix 10 R.A.3	5.56	A Main Board issuer proposes to publish its quarterly results on a voluntary basis. Is it	Yes, under rule A.3 of Appendix 10/ GEM rule 5.56, it is subject to the same black-out period as

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
			subject to any black-out period for directors' dealings?	for publication of annual or interim results.
75.	Appendix 10 R.A.6	5.61	According to the Model Code, a director needs to notify the chairman or a designated director in writing before he deals in the issuer's shares. Does this requirement apply to his spouse and infant child as well?	Yes, dealings by the spouse or any minor child will be treated as dealings of the director.
76.	Appendix 10 R.A.6	5.61	If the spouse of a director who is living apart from the director deals in shares of the issuer, is the director responsible for non-reporting of dealings by the spouse?	Dealings by the spouse will be treated as dealings of the director under the Model Code. The director is therefore responsible for the spouse's share dealings. However, the Exchange, in deciding what (if any) follow-up action is appropriate in any particular case, will consider all the relevant facts and circumstances.
77.	Appendix 16 Paragraph 24	18.28	For disclosure of directors' emoluments on a named basis, is it necessary to disclose the comparative figures for the corresponding previous period?	Comparative figures of individual directors' emolument must be disclosed for the corresponding previous period.
78.	**(FAQ withdrawn on 30 September 2009)**			
79.	Appendix 16	Quarterly reporting is mandatory for GEM Issuers	A Main Board issuer proposes to publish its quarterly results on a voluntary basis. What are the disclosure requirements for quarterly results?	For quarterly reporting, the Main Board issuer can follow all the disclosure requirements governing half-year results and no pre-vetting of the announcement by the Exchange is required.

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
			Does the issuer need to follow the same requirements as for half-year results announcements or reports?	Where the quarterly results announcement does not follow all the disclosure requirements for half-year results announcements, it is our current practice to pre-vet those announcements. This practice is under review[1]. In the draft code on corporate governance practices[2], Main Board issuers are recommended to publish their quarterly results within 45 days after the quarter end. *Notes:* *1. We changed our practice in the third quarter of 2004 and the announcement is no longer pre-vetted (Added in September 2009).* *2. We introduced in January 2005 the code on corporate governance practices in Appendix 14 to the Main Board Rules (Added in September 2009).* 3. *Amendment made in light of the Rule changes consequential on the statutory backing to issuers' continuing obligation to disclose inside information, which became effective on 1 January 2013 (Added in January 2013).*

No	Main Board Rule Reference	GEM Rule Reference	Query	Response
80.	**(FAQ withdrawn on 30 September 2009)**			
81.	**(FAQ withdrawn on 30 September 2009)**			
82.	Practice Note 15 Paragraph 3(c)	N/A	Under paragraph 3(c) of Practice Note 15, a listed issuer (the "**Parent**") proposing to spin- off its subsidiary (the "**Newco**") for listing must on its own, excluding its interest in Newco, independently satisfy the requirements of Chapter 8. Practice Note 15 only refers to the profits requirements in Chapter 8. Can the Parent meet the qualification by satisfying one of the other two tests in rule 8.05 (the market capitalisation/ revenue/ cash flow test and the market capitalisation/ revenue test) in respect of its remaining business?	Yes.