

Consultation Conclusions

# Review of Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments



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## **CONTENTS**

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|   | <b>PAGE NO.</b> |
|---|-----------------|
| <b>DEFINITIONS</b> .....                                | 1               |
| <b>EXECUTIVE SUMMARY</b> .....                          | 2               |
| <b>CHAPTER 1: INTRODUCTION</b> .....                    | 8               |
| <b>CHAPTER 2: MARKET FEEDBACK AND CONCLUSIONS</b> ..... | 10              |
| <b>CHAPTER 3: HOUSEKEEPING RULE AMENDMENTS</b> .....    | 27              |

### **APPENDICES**

APPENDIX I: LIST OF RESPONDENTS

APPENDIX II: QUANTITATIVE ANALYSIS OF RESPONSES

APPENDIX III: STRUCTURE OF THE CURRENT CODE AND THE  
RE-ARRANGED "CORPORATE GOVERNANCE CODE"

APPENDIX IV: RULE AMENDMENTS TO THE MAIN BOARD LISTING RULES

APPENDIX V: RULE AMENDMENTS TO THE GEM LISTING RULES

APPENDIX VI: HOUSEKEEPING RULE AMENDMENTS

## DEFINITIONS

| TERM                       | DEFINITION  |
|----------------------------|---|
| “Code” or “Appendix 14”    | Appendix 14 to the MB Rules and Appendix 15 to the GEM Rules, to be renamed as “Corporate Governance Code”                      |
| “CG Code”                  | Corporate Governance Code under the Code  |
| “CG Report”                | Corporate Governance Report under the Code  |
| “CP(s)”                    | Code Provisions under the CG Code   |
| “Exchange”                 | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (“HKEX”)         |
| “ESG Guide”                | Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the MB Rules and Appendix 20 to the GEM Rules |
| “GEM Rules”                | Rules Governing the Listing of Securities on GEM  |
| “2018 Guidance”            | The <a href="#">Guidance for Boards and Directors</a> published in July 2018  |
| “HKMA”                     | Hong Kong Monetary Authority  |
| “ICAC”                     | Hong Kong Independent Commission Against Corruption   |
| “INED”                     | Independent Non-Executive Director  |
| “IPO”                      | Initial Public Offering   |
| “MB Rules”                 | Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited  |
| “MDR(s)”                   | Mandatory Disclosure Requirements   |
| “NED”                      | Non-Executive Director  |
| “Principle(s)”             | Principles under the CG Code  |
| “RBP(s)”                   | Recommended Best Practices under the CG Code  |
| “RD”                       | Recommended Disclosures   |
| “Rules” or “Listing Rules” | Collectively, the MB Rules and the GEM Rules  |
| “SFC”                      | Securities and Futures Commission   |
| “TCFD Recommendations”     | <a href="#">Recommendations of the Task Force on Climate-related Financial Disclosures</a>                                      |

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## EXECUTIVE SUMMARY

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### Introduction

1. In April 2021, the Exchange published a “Consultation Paper on Review of Corporate Governance Code and Related Listing Rules” (“**Consultation Paper**”). The Consultation Paper sought comments on proposed changes to the Code as well as related amendments to the Listing Rules.
2. The consultation period ended on 18 June 2021. The Exchange received a total of 214 submissions<sup>1</sup> from a broad range of respondents, including listed companies, professional bodies and industry associations, market practitioners, investment managers, non-governmental organisations and individuals<sup>2</sup>. 207 responses contained original content<sup>3</sup>.
3. This paper presents the results of the consultation. The consultation reflects the Exchange’s commitment to enhance the corporate governance (“**CG**”) practices and reporting by listed companies, and to ensure our corporate governance framework remains fit for purpose, continues to promote market quality and aligns with stakeholder expectations and international best practice.
4. The key focus of the consultation is to instil changes in mindset of an issuer’s board, promote board independence, incentivise board refreshment and succession planning, improve board diversity amongst issuers, and enhance communication between issuers and their shareholders and market integrity. We believe good corporate governance is key to a company’s long-term success and maintaining a sustainable growth.

### Market feedback

5. The Exchange received positive feedback on the proposals<sup>4</sup>. Respondents generally agreed with the direction of travel to strengthen board independence and promote better boardroom gender diversity. There was a divergence of views on proposals regarding (i) re-election of INED serving more than nine years (“**Long Serving INED**”) and (ii) gender diversity targets and timelines at the workforce level.
6. We conclude that most of the proposals outlined in the Consultation Paper should be adopted, and have made certain modifications or clarifications as set out in this paper.

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<sup>1</sup> 18 of which were received after the close of the consultation period.

<sup>2</sup> See paragraph 17 for a breakdown of responses received under each category.

<sup>3</sup> Submissions with entirely identical content were counted as one response. Submissions by a professional body or industry association were counted as one response irrespective of the number of individual members that the body/association represents.

<sup>4</sup> Please refer to a quantitative analysis of the responses to the consultation questions set out in **Appendix II**.

## Major changes adopted

7. The table below sets out a summary of the original proposals and the way forward. The revised Listing Rules and the new Corporate Governance Code will come into effect on 1 January 2022, and the requirements under the new Corporate Governance Code will apply to CG reports for financial year commencing on or after 1 January 2022, except otherwise stated in the table below:

| NO. | ORIGINAL PROPOSALS  | WAY FORWARD   | IMPLEMENTATION  |
|-----|---|---|---|
| 1.  | <p><b>Culture</b></p> <p>(1) Require board to align the company's culture with its purpose, values and strategy</p> <p>(2) Establish anti-corruption and whistleblowing policies</p>  | <p>Adopt<br/>(New CP A.1.1)</p> <p>Adopt<br/>(New CP D.2.7 and CP D.2.6)</p>  | <p>Financial year commencing on or after 1 Jan 2022</p> <p>Financial year commencing on or after 1 Jan 2022</p>   |
| 2.  | <p><b>Board independence and refreshment</b></p> <p>(1) Require disclosure of a policy to ensure independent views are available to the board, and annual review of the implementation and effectiveness of such policy</p> <p>(2) Long Serving INED (i.e. INED serving more than nine years):</p> <ul style="list-style-type: none"> <li>• Independent shareholders' approval for re-election of Long Serving INED</li> <li>• additional disclosures on factors considered, process and the board or NC's discussion in arriving at the determination that the Long Serving INED is still independent and should be re-elected ("<b>Additional Disclosures</b>")</li> <li>• Appoint new INED if all INEDs on board are Long Serving INEDs</li> </ul> | <p>Adopt, with revised wordings (see paragraphs 39 to 46)<br/>(New CP B.1.4)</p> <p>Not adopt (see paragraphs 47 to 60)</p> <p>Adopt<br/>(New CP B.2.3)</p> <p>Adopt<br/>(New CP B.2.4)</p> | <p>Financial year commencing on or after 1 Jan 2022</p> <p>Financial year commencing on or after 1 Jan 2022</p> <p>Financial year commencing on or after 1 Jan 2023</p> |

| NO. | ORIGINAL PROPOSALS  | WAY FORWARD  | IMPLEMENTATION  |
|-----|---|--|---|
|     | <p>(“<b>New INED Proposal</b>”) and disclose the length of the tenure of the Long Serving INEDs on the board on a named basis in the shareholders’ circular (“<b>Tenure Disclosure</b>”)</p> <p>(3) No equity-based remuneration with performance-related elements to INEDs</p> | <p>Adopt<br/>(New RBP E.1.9)</p>   | <p>(for New INED Proposal)<br/>Financial year commencing on or after 1 Jan 2022<br/>(for Tenure Disclosure)</p> <p>Financial year commencing on or after 1 Jan 2022</p>   |
| 3.  | <p><b>Diversity</b></p> <p>(1) No single gender board (with a 3-year transition period for issuers)</p> <p>(2) Gender diversity targets at board level and across workforce</p>   | <p>Adopt, with revised wordings and modification to transition period (see paragraphs 68 to 95) (MB Rule 13.92 / GEM Rule 17.104 and Note to MB Rule 13.92 / GEM Rule 17.104)</p> <p>Adopt at the board level, with modification to the requirements at the workforce (see paragraphs 68 to 95) (New Paragraph J of the MDR)</p> | <p>For issuers: Rule effective from 1 Jan 2022</p> <ul style="list-style-type: none"> <li>• <u>Single gender board issuers</u>: 3-year transition (i.e. appoint a director of a different gender no later than 31 December 2024)</li> <li>• <u>Issuers with commitment in listing document</u>: appoint a director of a different gender in accordance with such commitments</li> </ul> <p>For IPO applicants: effective for A1 submission filed on or after 1 Jul 2022</p> <p>Financial year commencing on or after 1 Jan 2022</p> |

| NO. | ORIGINAL PROPOSALS   | WAY FORWARD   | IMPLEMENTATION  |
|-----|--|---|---|
|     | <p>(3) Review board diversity policy</p> <p>(4) Include directors' gender information in forms</p>   | <p>Adopt<br/>(New CP B.1.3)</p> <p>Adopt<br/>(Part 1 of Form B and Form H of Appendix 5 to the MB Rules / Part 1 of Form A and Form B of Appendix 6 to the GEM Rules)</p> | <p>Financial year commencing on or after 1 Jan 2022</p> <p>Rule effective from 1 Jan 2022</p> |
| 4.  | <p><b><i>Nomination Committee</i></b></p> <p>Chaired by an INED and comprising a majority of INEDs</p>   | <p>Adopt, with modification to also allow board chairman as chair (see paragraphs 96 to 101)<br/>(New MB Rule 3.27A / GEM Rule 5.36A)</p>                                 | <p>Rule effective from 1 Jan 2022</p>   |
| 5.  | <p><b><i>Communications with shareholders</i></b></p> <p>Shareholders communication policy and annual review</p>   | <p>Adopt<br/>(New Paragraph L of MDR)</p>   | <p>Financial year commencing on or after 1 Jan 2022</p>                                       |
| 6.  | <p><b><i>Other enhancements</i></b></p> <p>(1) Disclose directors' attendance in the poll results announcements</p> <p>(2) No longer require NEDs be appointed for specific term</p> | <p>Adopt<br/>(New MB Rule 13.39(5A) / GEM Rule 17.47(5A))</p> <p>Adopt<br/>(Delete current CP A.4.1)</p>  | <p>Rule effective from 1 Jan 2022</p> <p>Code effective from 1 Jan 2022</p>                   |
| 7.  | <p><b><i>Elaborate the linkage between CG and ESG</i></b></p> <p>Elaborate the linkage between CG and ESG</p>  | <p>Adopt<br/>(New introductory paragraph in the Code, New Principle D.2, CP D.2.2 and CP D.2.3)</p>   | <p>Code effective from 1 Jan 2022</p>   |

| NO. | ORIGINAL PROPOSALS   | WAY FORWARD   | IMPLEMENTATION  |
|-----|--|---|---|
| 8.  | <p><b><i>Timely disclosure of ESG reports</i></b></p> <p>Publish ESG reports at the same time as publication of annual reports</p>   | <p>Adopt (MB Rule 13.91(5)(d) / GEM Rule 17.103(5)(d) and paragraph 4(2)(d) of the ESG Guide)</p> | <p>Financial year commencing on or after 1 Jan 2022</p> |
| 9.  | <p><b><i>Re-arrange the Code</i></b></p> <p>(1) Rename Appendix 14 to “Corporate Governance Code”</p> <p>(2) MDRs set out upfront in Appendix 14</p> <p>(3) Re-organise the structure of Appendix 14</p> | <p>Adopt (Appendix 14 to the MB Rules / Appendix 15 to the GEM Rules)</p>                         | <p>Code effective from 1 Jan 2022</p>                   |

## About this paper

8. All submissions are available on the HKEX website<sup>5</sup> and a list of respondents (other than those who requested anonymity) is set out in **Appendix I**. We have also set out a summary result of our quantitative analysis of the responses in **Appendix II**. A table setting out the structure of the current Code and the new location of the relevant provisions under the re-arranged “Corporate Governance Code” can be found in **Appendix III**.
9. This paper summarises the key comments made by respondents on the proposals, and our responses and conclusions. This paper should be read in conjunction with the Consultation Paper, which is posted on the HKEX website<sup>6</sup>.
10. Unless otherwise specified, the proposals with respect to the MB Rules apply equally to the GEM Rules. The amended MB Rules and the Code (including consequential changes) are set out in **Appendix IV**, while corresponding amendments made to the GEM Rules and the Code (including consequential changes) are set out in **Appendix V**. They have been approved by the Board of the Exchange and the SFC.
11. We would like to thank all respondents for their time and effort in reviewing the Consultation Paper and sharing with us their detailed and thoughtful suggestions. Many supporters also made valuable comments on further measures to enhance our reporting frameworks for corporate governance and ESG, including further measures to promote board independence and accountability such as increasing INED representation on board, requiring independent board chair or board evaluation;

<sup>5</sup> Submissions received on the Consultation Paper can be accessed at: [https://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/Responses\\_Dec\\_2021?sc\\_lang=en](https://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/Responses_Dec_2021?sc_lang=en).

<sup>6</sup> See HKEX, [Consultation Paper on Review of Corporate Governance Code and Related Listing Rules](#), April 2021.

introducing additional diversity disclosures to issuers and IPO applicants; and suggestions to align ESG reporting standards with international standards. As these comments were outside the scope of this consultation, they will be considered in future reviews as appropriate.

12. We have also included certain housekeeping Rule amendments in this paper. Such housekeeping Rule amendments do not involve any change in policy direction. Some changes are made to update certain references to the terminology, period and Rule numbering to reflect new or revised Rules that became effective. Other changes are made to correct references, remove redundant language and align language between the English and Chinese versions. Further details are set out in Chapter 5, and the relevant Rule amendments are set out in **Appendix VI**. Such amendments will become effective on 1 January 2022.

## Way forward

13. Delivering effective corporate governance practices and ESG measures is more than a box-ticking exercise. The change needs to begin with a shift of mindset at the top of the organisations. The enhancements to the Code are intended to facilitate issuers to achieving good corporate governance. While the Principles set out the overarching direction, the framework provided under the Code does not preclude issuers from adopting alternative means or measures that are more appropriate in their own circumstances and that offer a clearer insight into their governance practices through the explanations. Distinctive reporting with a high quality has an important role to play in both differentiating the approaches companies take and providing confidence to investors.
14. The Exchange has provided, and will continue to support the entire issuer community by providing training and publishing guidance material, with the aim of instilling enhanced attitudes towards corporate governance and ESG for listed companies, and their boards. As mentioned in the Consultation Paper, we will issue a new set of guidance (“**CG Guidance**”) to assist issuers’ compliance with the CG requirements. The new CG Guidance is intended to stimulate the board’s thinking on how they can carry out their role most effectively, including how the Principles in the Code are applied and reported on. Building on the 2018 Guidance, the new CG Guidance consolidates the current thinking and expectations of issuers and stakeholders regarding governance practices, and should be read alongside the rearranged “Corporate Governance Code”. In November 2021, we also published our [analysis of IPO applicants’ CG and ESG practice disclosures](#) to highlight the importance for IPO applicants to take into serious consideration CG and ESG issues at an early stage, and build the necessary mechanisms into their listing process.
15. Climate-related risks and adoption of the TCFD Recommendations<sup>7</sup> are increasingly cited as a major priority on the global agenda. Our new ESG reporting requirements that came into effect in July 2020 have incorporated certain important elements of the TCFD Recommendations. In November 2021, we further published a [Guidance on Climate Disclosure](#) as part of our efforts to promote TCFD-aligned climate change disclosures.

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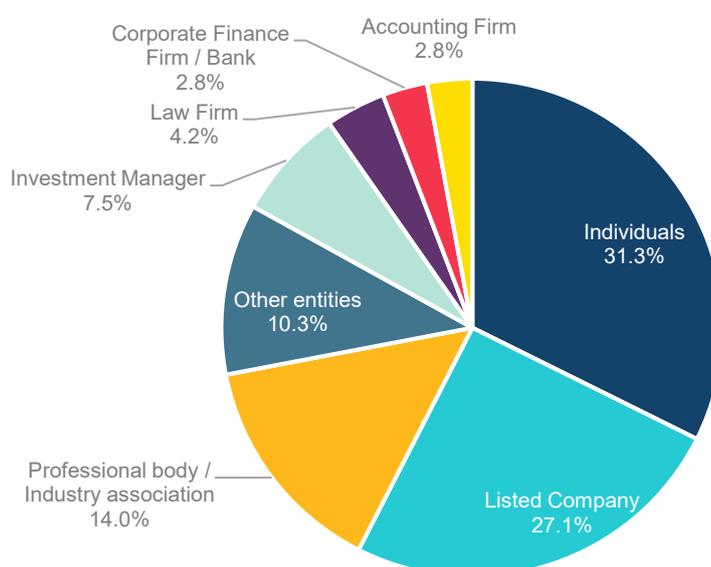
<sup>7</sup> The TCFD Recommendations cover four thematic areas: (a) governance; (b) strategy; (c) risk management; and (d) metrics and targets. For details, please refer to the [TCFD website](#).

## Background

16. On 16 April 2021, the Exchange published the Consultation Paper, which set out proposed changes to the Code as well as related amendments to the Listing Rules. With an emphasis to instil changes in mindset of an issuer's board and promote good governance amongst issuers, the proposals seek to enhance our CG framework and promote the long-term success of companies.

## Number of responses and nature of respondents

17. We received a total of 214 submissions from a broad range of respondents, of which 207 responses contained original content<sup>8</sup>. The responses can be grouped into broad categories as follows:



18. A list of the respondents (other than those who requested anonymity) is set out in **Appendix I**. The full text of all the submissions is available on the HKEX website<sup>9</sup>.
19. The Exchange used its best judgment to categorise the respondents using the most appropriate descriptions.

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<sup>8</sup> Submissions with entirely identical content were counted as one response. Submissions by a professional body or industry association were counted as one response irrespective of the number of individual members that the body or association represents.

<sup>9</sup> See footnote 5.

## **Methodology**

### **Qualitative analysis**

20. We performed a qualitative analysis so that we could properly consider the broad spectrum of respondents and their views. A qualitative analysis enabled the Exchange to give due weight to responses submitted on behalf of multiple persons or institutions and the underlying rationale for a respondent's position.

### **Quantitative analysis**

21. We also performed an analysis to determine the support, in purely numerical terms, for the proposals. For the purpose of our quantitative analysis, we counted the number of responses received, not the number of respondents those submissions represented. For example, a submission by a professional body was counted as one response even though that body may represent many members.
22. In calculating the percentage of support for or against each proposal, we excluded those respondents who did not respond or did not indicate clearly a view to that proposal. For each question, at least 85% of respondents indicated clearly their views.

**Part I: Corporate governance****1. Culture****A. Introduce “culture” (Question 1)**

23. We proposed introducing a CP<sup>10</sup> to require an issuer’s board to align the company’s culture with its purpose, values and strategy.

***Comments received***

24. 86% of the respondents supported the proposal and 14% opposed it.
25. Respondents supporting the proposal acknowledged the importance of having a good company culture that supports business conduct and ethics. They considered that the proposal would be conducive to the development of more coherent strategies and execution plans. Investors would also benefit by having a more comprehensive picture of the company’s governance via understanding the company’s culture.
26. On the other hand, some respondents had concerns about requiring an issuer’s board to “set” culture, as culture represents a collection of beliefs, mindsets, behaviours, attitudes and social patterns. Some respondents considered that the attempt to codify corporate culture would result in generic, imprecise disclosures that are of limited utility to investors. There was also a comment that this should be introduced as a Principle but not a CP.

***Our response***

27. While it is acknowledged that culture is tacit to social order or behaviour of an organisation, it is intertwined with the purpose the company seeks to achieve and the strategy to deliver long-term success. The board is responsible for leading, shaping and developing a sound culture that supports the company’s purpose, values and strategy, and should promote the desired culture at all levels within the organisation. This echoes HKMA’s “bank culture reform” to encourage developing a sound culture and values in financial institutions<sup>11</sup>.
28. We note that respondents generally agreed with aligning culture with the company’s purpose, values and strategy. Company behaviours driving the strategy need to be consistent with the desired values and culture which are influenced by the tone at the top. When culture is properly aligned with strategy and leadership, it can unleash tremendous amounts of energy toward a shared purpose and boost an organization’s capacity to thrive and to achieve long term sustainability. Leading and maintaining the desired culture for a company is a journey, and requires long term commitment by the board.
29. The new CP is not intended to codify “culture” but to highlight the board’s role in defining the company’s purpose, values and strategy, and developing the culture to support the pursuit of success. To assist issuers’ compliance, we will include in the CG Guidance suggestions when considering the issue of alignment, along with a list of self-check questions. There will also be suggested disclosures (reflecting the

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<sup>10</sup> Newly added CP A.1.1.

<sup>11</sup> HKMA, [Bank Culture](#).

consolidated feedback from stakeholders) in the CG Guidance, serving as broad indicators to demonstrate how the company's culture is contributing to the progress in meeting its purpose.

30. Having considered the above, we will adopt the proposal.

**B. Anti-corruption and whistleblowing policies (Questions 2(a) and 2(b))**

31. We proposed: (a) introducing a new CP<sup>12</sup> requiring establishment of anti-corruption policy; and (b) upgrading a RBP<sup>13</sup> to CP<sup>14</sup> requiring establishment of a whistleblowing policy.

***Comments received***

32. 98% of the respondents supported the proposal on anti-corruption policy and 2% opposed it. For the proposal on whistleblowing policy, 95% of the respondents supported and 5% opposed it.
33. Respondents supporting the proposals agreed that anti-corruption and whistleblowing are core to establishing a healthy corporate culture, and such policies can raise awareness among employees and management of issuers. There were also suggestions that establishment and disclosure of the policies should be mandatory, and issuers should be required to monitor and review the policies regularly. Issuers should further put in place a system to manage material issues and incidents in respect of anti-corruption and whistleblowing.
34. A number of respondents believed that it is important to ensure there will be no backlash to the whistleblower(s), and that concerns raised be independently reviewed and investigated. A respondent also requested clarification on whether anti-corruption and whistleblowing policies embedded in codes of conduct would fulfil the new requirement.
35. Respondents opposing the proposal on anti-corruption policy considered that the ICAC has already served its functions to combat anti-corruption issues. Opposing respondents to the whistleblowing policy proposal also considered the current requirements sufficient. There was also a comment that issuers generally should already have anti-corruption and whistleblowing policies within their compliance manual or codes of conduct.

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<sup>12</sup> Newly added CP D.2.7.

<sup>13</sup> Current RBP C.3.8.

<sup>14</sup> Newly added CP D.2.6.

## ***Our response***

36. We note there was overwhelming support for the proposals. This signifies the recognition that anti-corruption and whistleblowing are core to maintaining high ethical standards and good corporate governance within the company. Under the ESG Guide, issuers are already required on a “comply or explain” basis to disclose information relating to anti-corruption and whistleblowing policies, implementation of the relevant procedures and material incidents<sup>15</sup>. As mentioned in the Consultation Paper, guidance will be provided to facilitate issuers’ formulation of their anti-corruption and whistleblowing policies. We will therefore adopt the proposals.
37. Recognising the importance to maintain confidentiality and anonymity relating to whistleblowing, these elements are already contained in the relevant CP. We also require that any concerns about potential improprieties be raised with the audit committee or any designated committee with a majority of INEDs to emphasise the impartiality in dealing with such concerns.
38. Depending on their own circumstances, issuers may choose to have standalone anti-corruption and whistleblowing policies, or include the relevant provisions in the code of conduct or other policies of the company.

## **2. Director’s independence**

### **A. Enhance board independence (Question 3)**

39. We proposed introducing a CP<sup>16</sup> requiring disclosure of a policy to ensure independent views and input are available to the board, and an annual review of the implementation and effectiveness of such policy.

## ***Comments received***

40. 70% of the respondents supported the proposal and 30% opposed it.
41. Respondents supporting the proposal generally agreed that the proposal would enhance board independence. They further suggested that this could be part of the board evaluation process.
42. On the other hand, some respondents considered that the proposed policy cannot address directors’ independence issues. They commented that it was not feasible to measure independent views. Some respondents were of the view that emphasising on independent views (but not views from all directors) would in turn restrict board dynamics.
43. There were suggestions on other mechanisms to improve board independence, including (a) increasing INED representation on boards (e.g. at least 50% INEDs); (b) requiring an independent board chair; (c) upgrading the board evaluation requirement to “comply or explain”, and requiring such evaluation at least once every three years; and (d) enabling INEDs to appoint independent advisers at the company’s expense to

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<sup>15</sup> Under the ESG Guide, KPI B7.1 requires issuers to disclose number of concluded cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases and KPI B7.2 requires issuers to disclose its preventive measures and whistleblowing procedures, and how they are implemented and monitored.

<sup>16</sup> Newly added CP B.1.4.

perform their duties. There was also a call for more clarification on what was expected by this policy.

### **Our response**

44. It has been widely recognised that board independence is critical to good corporate governance. Our proposal aims to urge issuers to have the mechanisms in place to ensure a strong independent element on the board which is key to an effective board. Similar to all other systems of the company, any established mechanisms should be kept under review to ensure its effectiveness. We will adopt the proposal, with revised wording to clarify our focus on “mechanisms”.
45. The mechanisms may not necessarily be set out in a standalone policy. They may be covered in the following aspects of the company’s governance framework:
  - (a) INED’s recruitment process (e.g. INED’s time commitments / qualification).
  - (b) Number of INEDs and their time contribution.
  - (c) Assessment or evaluation of INEDs’ contribution.
  - (d) Other channels where independent views are available (e.g. directors’ access to external independent professional advice<sup>17</sup> to assist performance of their duties).
46. We agree that the evaluation required can be a part of the board evaluation of its performance. Our CG Guidance will therefore include suggestions on how to conduct board evaluation, e.g. the steps involved and how to disclose the results of the evaluation for accountability and transparency.

### **B. Board refreshment and succession planning (Questions 4(a) and 4(b))**

47. In respect of the re-election of a Long Serving INED, we proposed revising an existing CP<sup>18</sup> to require (i) such re-election be subject to independent shareholders’<sup>19</sup> approval, and (ii) Additional Disclosure (i.e. factors considered, the process and the board or NC’s discussion in arriving at the determination in the explanation on why such INED is still independent and should be re-elected).
48. In circumstances where all the INEDs on the board are Long Serving INEDs, we proposed introducing a new CP<sup>20</sup> requiring issuers to appoint a new INED (i.e. the New INED Proposal) at the forthcoming annual general meeting (“**AGM**”), and disclose the length of the tenure of the Long Serving INEDs on the board on a named basis in the shareholders’ circular (i.e. the Tenure Disclosure).

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<sup>17</sup> Current A.1.6 (New CP C.5.6).

<sup>18</sup> Current CP A.4.3 (New CP B.2.3).

<sup>19</sup> “Independent shareholders” means any shareholders other than controlling shareholders of the issuer and their associates or, where there are no controlling shareholders, any shareholders other than directors (excluding non-Long Serving INEDs) and the chief executive of the issuer and their respective associates.

<sup>20</sup> Newly added CP B.2.4.

## **Comments received**

### Re-election of Long Serving INEDs

49. 65% of the respondents supported and 35% opposed it.
50. The divergence of views was around the independent shareholders' vote requirement. Respondents for both sides generally agreed with requiring Additional Disclosure for re-election of Long Serving INEDs for improved transparency to enable an informed decision.
51. Regarding the issue of independent shareholders' vote, supporting respondents considered that such requirement would enhance the objectivity and independence of the Long Serving INEDs.
52. On the other hand, opposing respondents commented that all shareholders should be entitled to vote on board appointment matters, which should be distinguished from other circumstances where conflicts of interests may arise (for example, connected transactions, spin-off proposals, etc.).

### Appointment of new INED where all the INEDs are long serving

53. 71% of the respondents supported and 29% opposed it.
54. Respondents from both sides supported requiring Tenure Disclosure for enhanced transparency. Regarding the New INED Proposal, supporting respondents considered that it aids board refreshment which in turn leads to greater independence, diversity and quality. Some respondents suggested to introduce more than one new INED for creating a sufficient representation to break through existing "group think" on the board. There was also a suggestion to upgrade this to a mandatory requirement.
55. Opposing respondents mainly were concerned about the difficulty in finding suitable INED candidates. Some respondents also commented that given the company has properly considered and disclosed reasons for retaining Long Serving INEDs, companies should not be required to appoint a new INED.

## **Our response**

56. It has been widely recognised that ensuring a strong independent element on the board is key to an effective board. Board makeup should be assessed in line with an evolving business environment and challenges. A more frequent turnover of directors would avoid entrenchment and attract new ideas and perspectives. Periodic board refreshment can foster the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies. Accountability can be enhanced by frequent review and refreshment of membership of the board.
57. We consider that the New INED Proposal would be more effective in bringing new perspectives to the board via the new member. The appointment of a new INED would further help issuers' succession planning, taking into account the changing strategies and ensuring the skills needed by the board can cope with such changes.
58. We will therefore proceed with the New INED Proposal, but will not require independent shareholders' vote for re-election of Long Serving INEDs. A transition period will be allowed to implement the New INED Proposal (i.e. financial year

commencing on or after 1 January 2023) to alleviate the challenges in finding a new INED suitable for the company (see “Part IV Implementation Dates” below).

59. The New INED Proposal, together with other proposals such as mechanisms to ensure availability of independent views and enhancements to the NC, reinforce our commitment to promoting board refreshment. The Exchange will continue to monitor the issue on Long Serving INEDs and issuers’ progress after implementation of the proposals, and may consider introducing further measures in this area.
60. We will proceed with requiring Additional Disclosures for re-election of Long Serving INEDs and Tenure Disclosure where all INEDs on board are Long Serving INED. For the avoidance of doubt, these additional disclosures will be required in the relevant papers to shareholders for the relevant AGM or general meeting (where applicable) published within the financial year commencing on or after 1 January 2022.

### **C. Equity-based remuneration to INED (Question 5)**

61. We proposed introducing a new RBP<sup>21</sup> that an issuer generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to INEDs.

#### ***Comments received***

62. 77% of the respondents supported the proposal and 23% opposed it.
63. Respondents who supported the proposal agreed that restrictions should be limited to equity awards linked to performance-based conditions. There was a suggestion that if INEDs were granted equity-based remuneration, issuers should provide additional justifications for linking INED’s remuneration with its performance and why the remuneration structure would not compromise the relevant INED’s independence and/or objectivity. Some respondents commented that given their importance, the Exchange should upgrade the requirement to a CP or a Rule.
64. Respondents who opposed the proposal believed that board should have the discretion to decide whether equity-based remuneration would affect INED’s objectivity, and further commented that the current requirement is sufficient as INEDs’ independence would more likely be questioned if they hold more than 1% interest in a listed issuer<sup>22</sup>.
65. A number of respondents commented that INEDs should be adequately remunerated for the time and effort that they have committed in order to discharge their responsibilities. Hence, the quantum and structure of INED’s remuneration should be considered in a wider context.

#### ***Our response***

66. INEDs play an important role in enhancing the corporate governance standards of issuers, guarding against conflicts of interest, assisting with oversight of internal controls and risk management and acting as a catalyst for ESG adoption.
67. We believe it is important to safeguard the balance between retaining highly qualified INEDs and ensuring they are demonstrating objective judgment throughout their

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<sup>21</sup> Newly added RBP E.1.9.

<sup>22</sup> MB Rule 3.13(1) / GEM Rule 5.09.

tenure. When formulating the INEDs' remuneration package, issuers should also consider whether the package may affect the INEDs' objectivity and independence. We will therefore proceed with the proposal, recommending that issuers generally should not grant equity-based remuneration with performance-related elements to INEDs.

### 3. Diversity (Questions 6(a) to (d))

68. On diversity, we proposed to:

- (a) Highlight that diversity is not considered to be achieved by a single gender board<sup>23</sup>. A three-year transition period would be allowed for existing issuers with single gender boards to appoint at least a director of a different gender on their boards, while IPO applicants would not be expected to have single gender boards.
- (b) Require all listed issuers to set and disclose numerical targets and timelines for achieving gender diversity at both: (i) board level; and (ii) across the workforce (including senior management) by introducing a new MDR<sup>24</sup>.
- (c) Require the board to review the implementation and effectiveness of its board diversity policy annually by introducing a CP<sup>25</sup>.
- (d) Amend the relevant forms<sup>26</sup> to require directors providing gender information upon appointment.

#### **Comments received**

##### Single gender board is not acceptable

- 69. 76% of the respondents supported the proposal and 24% opposed it.
- 70. Respondents supporting the proposal applauded the direction to promote better boardroom gender diversity. Some respondents suggested imposing a mandatory quota at board level within specific timeline (e.g. two or 25% women on a board by 2025 and three or 30% by 2027), and impose consequences (e.g. a penalty) for issuers who fail to meet the quota.
- 71. Some respondents considered it important to highlight that diversity encompasses a wide range of other factors but not just gender. There was also a suggestion that diversity should be extended to board committees.
- 72. Respondents opposing the proposal argued that director appointments should be under a fair system based on merit, and that the proposal would lead to tokenism. Some respondents, while agreeing with moving away from single gender boards, expressed concerns that the proposal might in effect setting the minimum floor for issuers, thereby discouraging them from achieving a higher proportion of female representation on boards.
- 73. There were drafting suggestions that the statement should form part of the Rule (rather

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<sup>23</sup> Note to MB Rule 13.92 / GEM Rule 17.104.

<sup>24</sup> Newly added Paragraph J of MDR.

<sup>25</sup> Newly added CP B.1.3.

<sup>26</sup> Part 1 of Form B and Form H of Appendix 5 to the MB Rules / Part 1 of Form A and Form B of Appendix 6 to the GEM Rules.

than embedding in the note). Some respondents also considered that the transitional period of three-year should be shortened.

#### Targets and timeline for gender diversity

74. 64% of the respondents supported the proposal and 36% opposed it.
75. Respondents supporting the proposal agreed that disclosures on gender diversity targets and timelines could add clarity and pave the way to a concrete commitment for improvement. This is in line with the developments in other jurisdictions to mandate certain percentage of women on boards.
76. Respondents opposing the proposal had the same concerns mentioned in paragraph 72 above. In respect of targets at workforce level, respondents questioned the feasibility and meaningfulness of setting targets, as some industries are constrained by the industry nature, or the country where the main operation is located. They further commented that targets for the workforce should be at most a RBP not a MDR.

#### Annual review of board diversity

77. 88% of the respondents supported the proposal and 12% opposed it.
78. Respondents supporting the proposal agreed that the board should regularly review diversity policy to ensure it remains fit for purpose. Respondents commented that such review should be part of the board evaluation process and measurable objectives should be set for implementing diversity policies.
79. Some respondents however considered that issuers should have the discretion to decide whether to review such policy in light of their own circumstances. There was also a comment that annual review might be too frequent and review could be conducted once every two or three years.

#### Amend forms to include directors' gender information

80. 87% of the respondents supported the proposal and 13% opposed it.
81. Respondents who supported agreed that the proposal could enhance transparency and facilitate tracking of diversity progress. Respondents also suggested to include non-binary gender options.
82. Respondents opposing the proposal took the view that diversity encompasses many aspects (e.g. background, skills, ethnicity and nationality) and would rather not have the information if gender is singled out.

#### ***Our response***

83. All respondents agreed and acknowledged the need to promote diversity in the boardroom. However, some respondents had reservations on other important diversity aspects being overlooked. Gender diversity is a good starting point before expanding to other diversity aspects as it is easily measured, more objectively quantifiable and straightforward in terms of disclosure, compliance and enforcement. Issuers are encouraged to include a broader spectrum of diversity perspectives within their policies, recruitment approach and in their corporate reporting as appropriate.

### Single gender board is not acceptable

84. Starting from May 2019, the Exchange requires single gender board IPO applicants to set targets in their prospectuses to achieve board gender diversity<sup>27</sup>. Since then, the percentage of single gender board applicants dropped from 30% in 2019 to 21% in 2020, and further down to 12% in the first half of 2021.
85. In light of the encouraging progress observed regarding IPO applicants, we decide to roll out the tightened requirement to phase out single gender board to all issuers, by stating in the Rule that the Exchange will not consider diversity to be achieved for a single gender board. While there is an urgent need for a faster pace or larger scale in the change of board composition, we are also mindful of the need to strike a balance against the practical situations for Hong Kong listed companies. We would like to clarify that the absence of a prescribed percentage does not mean achieving one director of a different gender on the board is considered sufficient.
86. Regarding the transition period, as of December 2020 around 32.9% of our issuers (around 850) have no female directors on their boards, and they will need to appoint at least one director of a different gender under the proposal. When identifying the suitable candidate, apart from gender, issuers should also consider factors including skills, experience, independence and knowledge of the candidates as part of the recruitment process to ensure that the candidates can discharge their duties and responsibilities to the board. We recognise that this process would take time and we therefore maintain the three-year transition period for issuers. Single gender board issuers, however, are expected to consider appointing a director of a different gender as soon as any existing director is due for retirement under the rotation requirement<sup>28</sup>, and should not wait for the expiry of the transition period.
87. For the avoidance of doubt, single gender board issuers who have made a commitment in the listing document with objectives set for implementing gender diversity should appoint a director of a different gender in accordance with such commitment.
88. In respect of IPO applicants, given the short time gap between publication of this paper and the original effective date of 1 January 2022, there may be difficulties for those who have filed a listing application to make changes to their board composition. We therefore allow a 6-month transition period, which means for A1 submission filed on or after 1 July 2022, IPO applicants with single gender board would not be accepted. IPO applicants should at the time of the A1 submission at least identify a director of a different gender, whose appointment should be effective upon listing.

### Targets and timeline for gender diversity

89. Our proposal is intended to increase transparency by establishing better, comparable information on diversity. The data will enable the board and investors to make a better assessment of diversity progress, and will inform shareholder engagement and investment decisions thereby enhancing market integrity. Availability of such data may also put greater pressure on issuers towards improved diversity and inclusion. This is

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<sup>27</sup> An IPO applicant is required to disclose their board diversity policy in their prospectus. For those with a single gender board, they are further required to make additional disclosures on how gender diversity of the board can be achieved ([HKEX-GL86-16](#)).

<sup>28</sup> Every director is subject to retirement by rotation at least once every three years. Current CP A.4.2 (New CP B.2.2).

also in line with the latest developments in the US<sup>29</sup> and the UK<sup>30</sup>.

90. There may be different diversity considerations at the board level and the workforce level. While diversity is key to an effective board to prevent “group think” and allow collaboration of skills and contribution from directors of different background, it is possible that similar set of skills and knowledge may be required from the workforce for efficient business operation or production. We recognise that there may be potential challenge for issuers, especially in circumstances where the industry nature or the country where the main operation is located is dominant by population of a particular gender. Targets may not necessarily be appropriate or meaningful at the workforce level for all industries.
91. In view of the above, we will adopt the proposal to require issuers to set and disclose numerical targets and timelines for achieving gender diversity at board level. For the workforce level, we have modified the proposal to require issuers to disclose: (i) gender ratios in the workforce (including senior management), (ii) any plans or measurable objectives the issuer has set for achieving gender diversity and (iii) any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

#### Annual review of board diversity

92. Board diversity does not end with having a policy in place. It is the board’s responsibility to ensure such policy remains fit for purpose. As the board composition and circumstances may change over time, it is important to monitor the implementation and have continuous evaluation of the appropriateness and effectiveness of the board diversity policy. We believe a review on an annual basis strikes the right balance. We will therefore adopt the proposal.
93. We will include in the CG Guidance information on a board skills matrix to assist issuers in assessing whether the board composition reflects the necessary balance of skills, experience and diversity of perspectives.

#### Amend forms to include directors’ gender information

94. As mentioned in the Consultation Paper, we plan to display board diversity related information on the HKEX website. The centralised platform allows the market easier access to the diversity data of our issuers. This will also incentivise issuers towards greater diversity, improving the quality of corporate governance and company performance. Our initial focus on gender information does not diminish the importance of other diversity aspects.
95. We will proceed with the proposal, and will look to enhance the platform taking into account market feedback.

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<sup>29</sup> In August 2021, the US Securities and Exchange Commission approved [NASDAQ’s proposal](#) to enhance board diversity, including the requirement to disclose board diversity statistics.

<sup>30</sup> In July 2021, the Financial Conduct Authority published a [“Consultation Paper on Diversity and inclusion on company boards and executive committees”](#), which include proposals to require UK-listed issuers to explain whether targets for gender and ethnic minority representation on board have been made, and disclose numerical data of the board and senior management by gender and ethnicity.

#### 4. Nomination committee (Question 7)

96. We proposed upgrading a CP<sup>31</sup> to a Rule<sup>32</sup> to require issuers to establish a NC chaired by an INED and comprising a majority of INEDs.

##### **Comments received**

97. 83% of the respondents supported the proposal and 17% opposed it.
98. Respondents supporting the proposal considered that this would raise the overall standard of NC which plays a pivotal role in board recruitment, appointment and succession planning. The proposal would enhance transparency and independence of INED nomination and appointment process, which in turn promote better practices and standards, including board diversity.
99. On the other hand, some respondents considered the current requirements sufficient in achieving independence, as well as the operation and oversight of the NC, whilst providing the flexibility to cater for different circumstances of issuers. A number of respondents agreed that the NC should comprise a majority of INEDs, but considered a requirement for the chair to be an INED not a meaningful additional measure and suggested retaining the option to allow board chairman to chair the NC. As the board chairman usually oversees board succession, it is not fair to deny the rights of the board chairman to have an influential role in deliberating the choice of board members. There was also a view supporting a collective review and approval of director appointment by the board as a whole for a more informed and balanced decision regarding director suitability.

##### **Our response**

100. Respondents were generally supportive regarding the establishment and composition of the NC. We note the suggestions to retain the current flexibility to allow the NC to be chaired by the board chairman. We are aware that other jurisdictions<sup>33</sup> only require the NC to be chaired by an INED on a “comply or explain” basis. It is not uncommon for board chairman to chair the NC amongst our issuers. In light of the role of the board chairman in overseeing the composition of the board, board succession planning and ensuring effective functioning of the board, we agree that the board chairman should not be precluded from leading the NC.
101. We will therefore modify the proposal, so that either the board chairman or an INED is allowed to chair the NC. We believe such modification will not undermine the independence on the NC’s oversight of directors’ nomination and recruitment given that a majority of the NC members are INEDs.

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<sup>31</sup> Current CP A.5.1.

<sup>32</sup> Newly added MB Rule 3.27A /GEM Rule 5.36A.

<sup>33</sup> Singapore and Australia: require, on a “comply or explain” basis, NC be chaired by an INED (Provisions 4.2 of the [Singapore Code of Corporate Governance 2018](#), Recommendation 2.1 (a)(2) of the [4<sup>th</sup> Edition Corporate Governance Principles and Recommendations](#) by the ASX Corporate Governance Council, February 2019). UK: require, on a “comply or explain” basis, the chair of the board should not chair the nomination committee when it is dealing with the appointment of their successor. (Provision 17 of the [2018 UK Corporate Governance Code](#)).

## **5. Communications with shareholders (Question 8)**

102. We proposed to upgrade a CP<sup>34</sup> to a MDR<sup>35</sup> requiring disclosure and annual review of the issuer's shareholder communication policy. The policy should include channels for shareholders to communicate their views on various matters affecting the issuer, as well as steps taken to solicit and understand the views of shareholders and stakeholders.

### ***Comments received***

103. 89% of the respondents supported the proposal and 11% opposed it.
104. Respondents supporting the proposal agreed that ongoing dialogue with shareholders is healthy and provides a forum for shareholders to express their views. They further commented that there are increasing calls for better information on how companies are listening to their shareholders and other stakeholders and how key decisions take their perspectives into account.
105. Some respondents suggested appointing a lead or senior INED or a suitably qualified senior investor relations officer who has access to the board as an intermediary between directors and shareholders. There was also a view that issuers should disclose quantitative metrics of INEDs' engagement with independent shareholders, such as the number of meetings with independent shareholders. Some respondents considered that an annual review is not sufficient, and suggested that issuers should disclose the actions taken (or to be taken) following the review of the policy.
106. Respondents opposing the proposal considered it impracticable and unduly burdensome for issuers to allocate expenditure on investor relations staff and infrastructure. Some respondents worried that stakeholder engagement would interfere with how the board manage the company. They argued that a board should be permitted to manage the company on behalf of shareholders free from interference. There were also comments that a lead or senior INED may not be able to facilitate the communication between issuers and investors as they may not be familiar with the day-to-day operations of the company.

### ***Our response***

107. Effective engagement with shareholders is important for a company to meet its responsibilities to them. In the past, the focus on communication was more on the unilateral dissemination of information by the company. Shareholders nowadays are looking for a real dialogue with the company. An effective two-way communication allows the company to solicit and receive feedback from shareholders on how the company is perceived and what their needs are, which are conducive to the setting or refinement of the company's strategy for future development. Issuers should actively engage shareholders and other stakeholders (including employees, customers, suppliers and investors) to achieve long-term success. We will proceed with the proposal.
108. We would like to clarify that issuers are free to decide the ways to communicate with their shareholders that are most appropriate and effective in their circumstances. The appointment of a lead or senior INED or senior investor relations officer are only some of the suggestions we provide to issuers.

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<sup>34</sup> Current CP E.1.4.

<sup>35</sup> Newly added Paragraph L of MDR.

109. Whilst our proposal focuses on information how the company builds and maintains a strong relationship with its shareholders and understands their needs and concerns, issuers may consider including information on how shareholders and other stakeholders were considered in reaching important strategic decisions. We will also include suggestions of the respondents regarding disclosures of quantitative metrics of INEDs' engagement with shareholders and actions (taken or to be taken) following a review of the communication policy in the CG Guidance to help issuers providing a comprehensive picture of how the company is progressing in its pursuit of its purpose and long-term success.

## **6. Other enhancements**

### **A. Timely disclosure on directors' attendance at general meetings (Question 9)**

110. We proposed to introduce a Rule<sup>36</sup> requiring disclosure of directors' attendance at general meetings in the poll results announcements.

#### ***Comments received***

111. 89% of the respondents supported the proposal and 11% opposed it.
112. Respondents supporting the proposal agreed that the proposal would enhance transparency and serve as a good indicator to assess the directors' commitment in discharging their fiduciary duties. Some respondents further suggested that issuers or NCs should justify how a director with a record of absence is considered eligible for continuing appointment or re-appointment.
113. Respondents opposing the proposal believed that the disclosure of director's attendance has not much significance. Some respondents were concerned that overseas directors may not be able to travel due to extenuating circumstances and it would be unfair to those directors.

#### ***Our response***

114. Timely attendance records may be useful for shareholders and investors to assess directors' commitment to the issuer's affairs. Under current requirements, directors' attendance at general meetings must be published in the CG report annually. Our proposal does not impose any new requirement but to bring forward the availability of the directors' attendance information. Regarding the concern about overseas directors, it should be noted that attendance by electronic means is still considered as attendance at a meeting<sup>37</sup>. We will therefore adopt the proposal.

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<sup>36</sup> Newly added MB Rule 13.39(5A) / GEM Rule 17.47(5A).

<sup>37</sup> Current A.1.7 (New C.5.7). Subject to the issuer's constitutional documents, the law and regulations of its place of incorporation, a director's attendance by electronic means including telephonic or videoconferencing could be counted as attendance at a physical board meeting.

## **B. Deletion of the Specific Term CP (Question 10)**

115. We proposed deleting the CP<sup>38</sup> requiring issuers to appoint NEDs for a specific term (“**Specific Term CP**”).

### ***Comments received***

116. 87% of the respondents supported the proposal and 13% opposed it.
117. Respondents supporting the proposal agreed that the Specific Term CP does not add much value given the existence of the rotation requirement (i.e. every director is subject to retirement by rotation at least once every three years)<sup>39</sup> (“**Rotation CP**”). They welcomed deletion of duplicated requirements to streamline and improve the user-friendliness of the Listing Rules. They considered that the intended purpose of the Specific Term CP, which is to allow shareholders to exercise their voting power and voice their disapproval of directors at regular intervals, is already achieved by the rotation requirement.
118. Some respondents however were concerned that the deletion would lessen shareholders’ rights and oversight over directors’ appointment.

### ***Our response***

119. Both the Specific Term CP and the Rotation CP allow shareholders to voice their support / disapproval of the directors through the exercise of their voting power. The intended purpose of the Specific Term CP for shareholders to vote out a disapproved director is already achieved by the rotation requirement. Issuers in practice tend to align the appointment term with the period for rotation for administrative convenience. The proposal is also in line with the developments in other jurisdictions. We will therefore proceed with deleting the Specific Term CP.

## **Part II: ESG**

### **A. Elaborate the linkage between CG and ESG (Question 11)**

120. We proposed to elaborate the linkage between CG and ESG in the Code<sup>40</sup>.

### ***Comments received***

121. 93% of the respondents supported the proposal and 7% opposed it.
122. Respondents supporting the proposal agreed that an effective governance structure should include governance of ESG matters to ensure issuers evaluate and manage ESG risks. There were also comments that corporate governance and social responsibility are intrinsically linked, both helping companies retain a healthy business balance.
123. Respondents opposing the proposal considered that all issuers are different and ESG risks may not necessarily have material impact on the business. There was also a

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<sup>38</sup> Current CP A.4.1.

<sup>39</sup> Current CP A.4.2 (New CP B.2.2)

<sup>40</sup> New Principle D.2, CP D.2.2 and CP D.2.3.

comment that the Exchange should list out the risks which issuers are expected to address, which may include ESG risks.

### ***Our response***

124. Corporate governance and ESG are complementary, with corporate governance inextricably linked to good governance of environmental and social issues<sup>41</sup>. Issuers should identify risks which may have a material impact to the business and operations, evaluate and take appropriate steps to manage such risks. The board should consider ESG risks in the same way as other risks. We will adopt the proposal.
125. Different issuers face different risks, depending on the scale, complexity and geographical locations of their business operations. There is not an exhaustive list of risks applicable to all issuers.

### **B. Timely disclosure of ESG reports (Question 12)**

126. We proposed to revise the Rule<sup>42</sup> and the ESG Guide<sup>43</sup> to require publication of ESG reports at the same time as publication of annual reports for issuers' financial years commencing on or after 1 January 2022<sup>44</sup>.

### ***Comments received***

127. 76% of the respondents supported the proposal and 24% opposed it.
128. Respondents who supported the proposal agreed that the alignment of publication could highlight the interdependency between financial and non-financial matters, allowing the board and shareholders to assess these matters holistically and comprehensively. As risks from environmental and social factors can fundamentally affect a company's core business, ESG issues should no longer be relegated to the side lines.
129. Respondents opposing the proposal were concerned about the time and resources required for the preparation of both reports simultaneously, which may result in lower reporting quality.

### ***Our response***

130. We believe that ESG reporting has become part of the key information relied on by investors to make investment decisions about their portfolio companies. Investors are increasingly vocal in urging companies to improve the quality of ESG information. The improved timeliness of ESG information would facilitate issuers' development of more coherent strategies and execution plans, and investors would benefit from being presented with a more comprehensive picture of the company's performance.

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<sup>41</sup> [Practitioners Insights](#) published in December 2020.

<sup>42</sup> MB Rule 13.91(5)(d) and GEM Rule 17.103(5)(d).

<sup>43</sup> Paragraph 4(2)(d) of the ESG Guide.

<sup>44</sup> Whether the amendment would apply is determined by the commencement date of the issuer's reporting period: (1) where the reporting period commences on a day prior to 1 January 2022, the proposed amendment does not apply; and (2) where the reporting period commences on or after 1 January 2022 (e.g. 1 January 2022 or 1 April 2022), such ESG report would need to be issued at the same time as publication of the annual report.

131. Since July 2020, issuers are required to publish their ESG reports with a shortened deadline (i.e. within five months after the end of the financial year). We believe issuers should already have the systems and mechanisms in place for ESG reporting within the new timeframe. We will therefore adopt the proposal.

### **Part III: CG Code structure (Questions 13 and 14)**

132. We proposed to rename Appendix 14 to “Corporate Governance Code”<sup>45</sup> and rearrange the structure of Appendix 14 to enhance the flow and readability<sup>46</sup>. We also proposed to issue a new set of guidance to assist issuers’ compliance with the CG requirements.

#### ***Comments received***

133. Respondents supported re-arranging Appendix 14 and the issue of new guidance. They considered that the re-arranged “Corporate Governance Code” provides a clearer picture for issuers to follow and prepare the CG Report. They welcomed the re-arrangement and improvements made to delete outdated provisions. There was a suggestion to include in the re-arranged “Corporate Governance Code” the goal and how it would be beneficial for issuers, shareholders and the Exchange. There were also some drafting suggestions from respondents.
134. Some respondents, on the other hand, considered that the existing structure (i.e. with the CG Code first followed by the MDRs) is more appropriate. They explained that an issuer may prefer considering the requirements under the CPs for establishing the necessary corporate governance structure before turning to the MDRs for preparing the CG Report at the end of the financial year.

#### ***Our response***

135. We note a majority of respondents acknowledged the benefits to the re-arranged “Corporate Governance Code”. They generally found it clearer and more concise after re-grouping CPs into different sections by topics and re-arranging the sequence.
136. As mentioned in the Consultation Paper, the CG requirements were introduced 20 years ago and have undergone rounds of amendments. To enable issuers to understand the structure of the CG reporting framework, we have made clear in the introduction of Appendix 14 the purposes of each section, and the application of the provisions (comprising the Principles, CPs, RBPs and MDRs) to achieve good corporate governance. We reiterate that the Exchange does not envisage a “one size fits all” approach, and recognises effective application of the Principles may be achieved by means other than strict compliance with the CPs depending on the circumstances, size and complexity of the issuer’s operations and the nature of the risks and challenges it face.

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<sup>45</sup> The current Appendix 14 is a result of merging Corporate Governance Report requirements into Appendix 14 in 2012 (for details, please refer to the [Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules](#) published in October 2011). The market often refers to “Corporate Governance Code” to mean all the CG requirements under Appendix 14. We therefore propose to rename Appendix 14 to “Corporate Governance Code”.

<sup>46</sup> The proposed amendments include positioning MDR prominently; re-grouping the provisions into different sections by topics and re-arranging the sequence; amending the introductory paragraphs to reflect the CG reporting framework and making drafting changes (including deleting duplicative requirements).

137. We believe that, with the rapidly changing global regulatory landscape and more emphasis on the quality of governance, there is a need for us to improve the readability of CG requirements to promote good corporate governance among our issuers. We will therefore adopt the proposal to rearrange Appendix 14 and rename it as “Corporate Governance Code”.
138. We will also proceed with issuing a new set of guidance (i.e. the CG Guidance). The new CG Guidance is intended to stimulate the board’s thinking on how they can carry out their role most effectively, including how the Principles in the Code are applied and reported on. Building on the 2018 Guidance, the new CG Guidance consolidates the current thinking and expectations of issuers and stakeholders regarding governance practices<sup>47</sup>, and should be read alongside the rearranged “Corporate Governance Code”.

#### **Part IV: Implementation dates (Question 15)**

139. We proposed to implement:
- (a) All proposals (except the proposals on Long Serving INED) for the financial year commencing on or after 1 January 2022 (“**2022 Implementation Date**”); and
  - (b) The proposals on Long Serving INEDs for the financial year commencing 1 January 2023 (“**2023 Implementation Date**”).

#### ***Comments received***

140. 78% of the respondents supported the proposal and 22% opposed it.
141. Respondents generally agreed with the 2022 Implementation Date, and differed in views regarding the 2023 Implementation Date. While some respondents commented that the proposals on Long Serving INEDs should be implemented at the same time as other proposals, there were also views that issuers should be allowed more time to look for suitable candidates. Some respondents did not agree with the proposals on Long Serving INEDs and thus opposed the 2023 Implementation Date.

#### ***Our response***

142. We note that a vast majority of the respondents supported the 2022 Implementation Date. As mentioned in paragraph 58, we agree that a transition period should be allowed for issuers to look for suitable candidates to fulfil the New INED Proposal. Together with the diversity proposal, more than one-third of our issuers will be required to introduce new director to their boards. We consider the 2023 Implementation Date for the New INED Proposal strikes an appropriate balance.
143. Having considered the above, we will proceed with the 2022 Implementation Date for all proposals (except for the New INED Proposal with a 2023 Implementation Date). For the avoidance of doubt, the transitional arrangement for issuers and IPO applicants on the diversity requirements will be implemented in accordance with the dates set out in paragraphs 84 to 88 of this paper.

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<sup>47</sup> This will include the expected disclosure regarding audit committee’s work done in discharging its responsibilities as mentioned in paragraphs 106 to 109 of the [Consultation Paper](#).

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## CHAPTER 3: HOUSEKEEPING RULE AMENDMENTS

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### Introduction

144. We will make various housekeeping amendments, which do not involve any change in policy direction, to the Rules. Set out below is a summary of the intended objective of these Rule amendments. All housekeeping Rule amendments will become effective on 1 January 2022.

### Consequential changes in connection with the reverse takeovers (“RTO”) Rule changes

145. Following public consultation, the Rules on RTO were revised and took effect on 1 October 2019. We will update a number of references to the terminology, period and Rule numbering throughout the Rules to reflect the RTO Rule amendments:
- (a) MB Rules: (i) amend the definition of “notifiable transaction” in Rules 1.01, 13.52 and 18.01 to include references to new Rules 14.06B and 14.06C for RTOs and extreme transactions; (ii) amend Rules 8.21C and 14.23B to update the references to the RTO requirements under amended Rule 14.54 and Note 2 to new Rule 14.06B; and (iii) amend Rule 14.55 to update Rule reference.
  - (b) GEM Rules: (i) amend the definition of “notifiable transaction” in Rules 1.01, 8.27, 17.29, 17.53 and 18A.01 to include references to new Rules 19.06B and 19.06C for RTOs and extreme transactions; (ii) amend Rule 19.23B to update the references to the RTO requirements under Note 2 to new Rule 19.06B; and (iii) amend Rule 19.55 to update Rule reference.

### Clarification on the requirements for issuers with adverse audit opinion on their financial statements due to going concern issue only

146. Note 1 to Rule 13.50A<sup>48</sup> provides an exemption to the trading suspension requirement where the disclaimer of opinion on an issuer’s financial statements relates to going concern issue only (and not any other issues). We will amend Note 1 to Rule 13.50A to clarify that the exemption would also apply to an issuer with an adverse opinion on its financial statements relating to going concern issue only. This is the intended operation of the Rule as explained in the [Consultation Conclusions on Proposal relating to Listed Issuers with Disclaimer or Adverse Audit Opinion on Financial Statements](#) issued by the Exchange in May 2019.

### Addition of headline categories for publication of new e-forms

147. As mentioned in the [Consultation Conclusions on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display](#) published in December 2020, e-forms would be introduced to standardise the presentation of information and allow for easier comparison by investors between issuers and to assist the Exchange in collecting and analysing data more efficiently. E-forms have been adopted by listed companies since 1 January 2021.
148. In the next phase, e-forms will be launched for adoption by structured products issuers in relation to (i) residual value following occurrence of mandatory call event; (ii)

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<sup>48</sup> Or GEM Rule 17.49B.

withdrawal of listing due to no outstanding position in the market; and (iii) adjustments to terms and conditions of structured products arising from corporate action of underlying securities in the first half of 2022. To facilitate publication of these new e-forms, we will add new headline categories to Schedule 5 of Appendix 24 (under the title of Callable Bull / Bear Contracts and Derivative Warrants).

### Change of name of Hong Kong Institute of Chartered Secretaries

149. With effect from 20 July 2021, The Hong Kong Institute of Chartered Secretaries has changed its name to “The Hong Kong Chartered Governance Institute”. Accordingly, we will replace references to the institute’s old name with the new name in Rule 3.28<sup>49</sup>.

### Other amendments

150. The remaining amendments that are essentially to:

|  |   |
|--|---|
| (a) Correct references of “Exchange’s web site” or “website of the Exchange” to “Exchange’s website” | <u>MB Rules:</u> Rules 15A.23, 15A.24, 15A.58 and 15A.82(1)   |
| (b) Correct clerical errors, spelling mistakes or wrong cross-references                             | <u>MB Rules:</u> definitions of “Exchange’s website”, “Listing Division” and “substantial shareholder” in Rule 1.01, definitions of “Return Decision” and “Review Request” in Rule 2B.01A, Rules 10.06, 15.02(2), 15A.22, 15A.63(2) and Appendix 11D<br><br><u>GEM Rules:</u> definitions of “Listing Division” in Rule 1.01, Rules 3.01, Rule 4.04(1) and 4.11(2) and Appendix 10D |
| (c) Remove redundant language  | <u>MB Rules:</u> definition of “selectively marketed securities” in Rule 1.01 (definition was not used in the Rules) and Rule 37.52<br><br><u>GEM Rules:</u> definition of “selectively marketed securities” in Rule 1.01 (definition was not used in the Rules) and 30.45  |
| (d) Ensure consistencies between the English and Chinese versions of the Rules                       | <u>MB Rules:</u> Rules 2A.37B and 12.10, paragraph 42(2) of Appendix 1C, Appendix 24, paragraph e(iii) of Appendix 13<br><br><u>GEM Rules:</u> Rules 3.03 and 3.38B, paragraph 42(2) of Appendix 1C<br><br>(certain amendments are applicable to the Chinese version only)  |

<sup>49</sup> Or GEM Rule 5.14.

|   |   |
|---|---|
| <p>(e) Update outdated or mistaken references</p> | <p><u>MB Rules:</u> Rule 19C.11 (Appendix 15 has been repealed), Rule 13.66 (the transition period has passed), paragraph 43 and Note 2 of Appendix 1B; and paragraph 66 and Note 2 of Appendix 1F (remove outdated references to the repealed Rules)</p> <p><u>GEM Rules:</u> definition of “formal notice” in Chapter 1, 17.78 (transition period has passed), Note (2) to Appendix 5 (remove unnecessary reference), paragraph 42 and Note 2 of Appendix 1B (remove outdated references to the repealed Rules)</p> |
| <p>(f) Improve drafting</p>                       | <p><u>MB Rules:</u> Rule 37.47C and Appendix 5A2</p> <p><u>GEM Rules:</u> Rule 30.40C</p>   |

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## **APPENDIX I: LIST OF RESPONDENTS**

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### **Accounting Firms (6 in total)**

- 1 BDO Risk Advisory Services Limited
- 2 Ernst & Young
- 3 KPMG Advisory (Hong Kong) Limited
- 4 PricewaterhouseCoopers
- 5 SHINEWING Risk Services Limited
- 6 1 accounting firm requested anonymity

### **Corporate Finance Firms/ Banks (6 in total)**

- 1 China International Capital Corporation (Hong Kong) Limited
- 2 HSBC Holdings plc
- 3 UBS AG
- 4-6 3 corporate finance firms / banks requested anonymity

### **Investment Managers (16 in total)**

- 1 BlackRock
- 2 CGI Glass Lewis
- 3 Eagle Asset Management (CP) Limited
- 4 East Capital
- 5 EOS at Federated Hermes
- 6 HSBC Asset Management
- 7 ROBECO
- 8 State Street Global Advisors Asia Limited
- 9 T. Rowe Price
- 10 Universities Superannuation Scheme Ltd (USS)<sup>1</sup>
- 11-16 6 investment managers requested anonymity

### **Law Firms (9 in total)**

- 1 Allen & Overy
- 2 Dentons Hong Kong LLP
- 3 Freshfields Bruckhaus Deringer
- 4 Simmons & Simmons
- 5 Skadden Arps Slate Meagher & Flom
- 6 Slaughter and May
- 7 Slotine
- 8 Stephenson Harwood
- 9 1 law firm requested anonymity

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<sup>1</sup> Universities Superannuation Scheme Ltd's submission is an endorsement to Asian Corporate Governance Association's response. Therefore, we count the two submissions as one response.

**Listed Issuers (58 in total)**

- 1 AIA Group Limited
- 2 BOC Hong Kong (Holdings) Limited
- 3 Cathay Pacific Airways Limited
- 4 Swire Properties Limited<sup>2</sup>
- 5 China Tonghai International Financial Limited
- 6 CLP Holdings Ltd
- 7 Great Eagle Holdings Limited
- 8 Guangdong Investment Limited
- 9 Guangdong Tannery Limited
- 10 LHIL Manager Limited and Langham Hospitality Investments Limited
- 11 Melco International Development Limited
- 12 MTR Corporation Limited
- 13 Shenzhen Investment Holdings Bay Area Development Company Limited
- 14 Sun Hung Kai Properties Limited
- 15 SUNeVision Holdings Ltd.<sup>3</sup>
- 16 Swire Pacific Limited
- 17 Ten Pao Group Holdings Ltd.
- 18 The Hongkong and Shanghai Hotels, Limited
- 19-58 40 listed issuers requested anonymity<sup>4</sup>

**Professional Bodies / Industry Associations (30 in total)**

- 1 ACCA Hong Kong
- 2 American Chamber of Commerce in Hong Kong
- 3 Asia Securities Industry & Financial Markets Association (ASIFMA)
- 4 Asian Corporate Governance Association
- 5 Association of Chinese Internal Auditors
- 6 Association of Women Accountants (Hong Kong) & Shenzhen Hong Kong Macau Women Directors Alliance
- 7 CPA Australia
- 8 Hong Kong General Chamber of Commerce
- 9 Hong Kong Institute of Certified Public Accountants
- 10 Hong Kong Investment Funds Association
- 11 Hong Kong Investor Relations Association (HKIRA)

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<sup>2</sup> Swire Properties Limited's submission is identical to that of Cathay Pacific Airways Limited, and the two submissions are therefore counted as one response.

<sup>3</sup> SUNeVision Holdings Ltd.'s submission is identical to that of Sun Hun Kai Properties Limited, and the two submissions are therefore counted as one response.

<sup>4</sup> Among the 40 submissions by listed issuers requesting anonymity, four submissions are identical to that of other listed issuers. Therefore, we count 36 responses containing original content.

- 12 Hong Kong Professionals and Senior Executives Association
- 13 Hong Kong Securities & Futures Professionals Association
- 14 Hong Kong Venture Capital and Private Equity Association
- 15 Sustainable Finance initiative (SFi)
- 16 The Australian Chamber of Commerce Hong Kong, Women in Business Network Committee
- 17 The British Chamber of Commerce in Hong Kong
- 18 The CFA Society Hong Kong
- 19 The Chamber of Hong Kong Listed Companies
- 20 The Hong Kong Chartered Governance Institute  
(formerly known as The Hong Kong Institute of Chartered Secretaries)
- 21 The Hong Kong Federation of Women Lawyers Limited
- 22 The Hong Kong Institute of Directors
- 23 The Law Society of Hong Kong
- 24 The Malaysian Chamber of Commerce (Hong Kong & Macau) Limited, Women Internal Network
- 25 The University of Hong Kong
- 26 Zonta Club of Hong Kong
- 27-30 4 professional bodies / industry associations requested anonymity

**Other Entities (22 in total)**

- 1 The 30% Club Hong Kong
- 2 Avista PRO-WIS Risk Advisory Limited
- 3 Baylight Consulting Limited
- 4 Brunswick Group Limited
- 5 Carbon Care Asia Limited
- 6 Community Business Limited
- 7 CompliancePlus Consulting Limited
- 8 Egon Zehnder Hong Kong
- 9 The Equal Opportunities Commission
- 10 The Hong Kong Women Professionals & Entrepreneurs Association
- 11 Link Asset Management Limited
- 12 SWCS Corporate Services Group (Hong Kong) Limited
- 13 Teneo
- 14 The Remedy Project Limited
- 15 The Women's Foundation
- 16 Zonta Club of Kowloon
- 17 Zonta Club of New Territories II
- 18-22 5 other entities requested anonymity

**Individuals (67 in total)**

|       |                                    |
|-------|------------------------------------|
| 1     | ANG SIU LUN                        |
| 2     | Angus Young                        |
| 3     | Case Everaert                      |
| 4     | Christine Tsang                    |
| 5     | Diana David                        |
| 6     | Fiona Nott                         |
| 7     | Jennifer Cao                       |
| 8     | John E Strickland                  |
| 9     | Julie Clody Medina                 |
| 10    | Leung Sze Man                      |
| 11    | Maria Tsolaki                      |
| 12    | May Tan                            |
| 13    | Nandita Debur                      |
| 14    | Zonta Yung                         |
| 15    | 張宇                                 |
| 16-67 | 52 individuals requested anonymity |

*Remarks:*

- 1. If the entire body of the response is identical, word-for-word, with the entire body of another response. It will be recorded as a “duplicate response” and it will not be counted for the purpose of a quantitative and qualitative analysis of the responses.*
- 2. The total number of responses is calculated according to the number of submissions received and not the underlying members that they represent.*

## APPENDIX II: SUMMARY RESULT OF QUANTITATIVE ANALYSIS

| Proposals in the Consultation Paper   | Feedback     |             |                                    |
|---|--------------|-------------|------------------------------------|
|   | Agree        | Disagree    | Number of respondents <sup>1</sup> |
| <b>Part I: Corporate Governance</b>   |              |             |                                    |
| <b>Culture</b>  |              |             |                                    |
| 1. <u>New CP</u> : requires board to promote the company's desired culture and align it with the company's purpose, values and strategy               | 151<br>(86%) | 25<br>(14%) | 176<br>(85%)                       |
| 2a. <u>New CP</u> : establish an anti-corruption policy by issuers  | 185<br>(98%) | 4<br>(2%)   | 189<br>(91%)                       |
| 2b. <u>Upgrade to CP</u> : establish a whistleblowing policy by issuers   | 172<br>(95%) | 9<br>(5%)   | 181<br>(87%)                       |
| <b>Director's independence</b>  |              |             |                                    |
| 3. <u>New CP</u> : require disclosure of a policy to ensure independent views are available to the board and an annual review of such policy          | 125<br>(70%) | 53<br>(30%) | 178<br>(86%)                       |
| 4a. <u>Revised CP</u> : requires (i) independent shareholders' approval; and (ii) Additional Disclosures for re-election of Long Serving INEDs        | 127<br>(65%) | 67<br>(35%) | 194<br>(94%)                       |
| 4b. <u>New CP</u> : where all the INEDs are Long Serving INEDs, appoint a new INED on the board at the forthcoming AGM and make the Tenure Disclosure | 132<br>(71%) | 55<br>(29%) | 187<br>(90%)                       |
| 5. <u>New RBP</u> : an issuer generally should not grant equity-based remuneration with performance-related elements to INEDs                         | 136<br>(77%) | 41<br>(23%) | 177<br>(86%)                       |
| <b>Diversity</b>  |              |             |                                    |
| 6a. <u>Amend Note to the Rule</u> : highlight diversity is not considered to be achieved by a single gender board                                     | 145<br>(76%) | 45<br>(24%) | 190<br>(92%)                       |

<sup>1</sup> Out of 207 responses. Respondents who did not respond or did not indicate clearly a view to a proposal were excluded.

|   |              |             |              |
|---|--------------|-------------|--------------|
| 6b. <u>New MDR</u> : require all listed issuers to set and disclose numerical targets and timelines for achieving gender diversity at both: (a) board level; and (b) across the workforce (including senior management)                       | 122<br>(64%) | 68<br>(36%) | 190<br>(92%) |
| 6c. <u>New CP</u> : require board to review progress of diversity policy annually   | 162<br>(88%) | 22<br>(12%) | 184<br>(89%) |
| 6d. <u>Amend forms</u> : to include directors' gender information   | 159<br>(87%) | 23<br>(13%) | 182<br>(88%) |
| <b>Nomination Committee</b>   |              |             |              |
| 7. <u>Upgrade to Rule</u> : establish an NC chaired by an INED and comprising a majority of INEDs   | 152<br>(83%) | 32<br>(17%) | 184<br>(89%) |
| <b>Communications with shareholders</b>   |              |             |              |
| 8. <u>Upgrade to MDR</u> : disclose issuer's shareholders communication policy, and annual review of such policy to ensure its effectiveness  | 158<br>(89%) | 19<br>(11%) | 177<br>(86%) |
| <b>Other enhancements</b>   |              |             |              |
| 9. <u>New Rule</u> : disclose directors' attendance in the poll results announcements   | 155<br>(89%) | 20<br>(11%) | 175<br>(85%) |
| 10. <u>Delete CP</u> : no longer require NEDs be appointed for specific term  | 150<br>(87%) | 23<br>(13%) | 173<br>(84%) |
| <b>Part II: ESG</b>   |              |             |              |
| <b>Elaborate the linkage between CG and ESG</b>   |              |             |              |
| 11. <u>New introductory paragraph to CG Code and revise Principle and CPs</u> : (a) setting out the relationship between CG and ESG in the introductory section; and (b) including ESG risks in the context of risk management under the Code | 167<br>(93%) | 13<br>(7%)  | 180<br>(87%) |
| <b>Timely disclosure of ESG reports</b>   |              |             |              |
| 12. <u>Revise Rule and ESG Guide</u> : publish ESG reports at the same time as publication of annual reports  | 139<br>(76%) | 45<br>(24%) | 184<br>(89%) |

| <b>Re-arrange the Code</b> (# the consultation questions invited the respondents to indicate whether they had “comments” or “no comments” on the CG Code structure. The figures below show the number of respondents that indicated that they had “comments” or “no comments” on the Code structure respectively.) |              |               |              |
|--|--------------|---------------|--------------|
| 13. <u>Re-arranged Code</u> : comments on any ambiguities or unintended consequences   | 25#<br>(16%) | 134#<br>(84%) | 159<br>(77%) |
| 14. <u>New guidance on corporate governance</u> : comments regarding areas to be included  | 53#<br>(32%) | 112#<br>(68%) | 165<br>(80%) |
| <b>Implementation dates</b>  |              |               |              |
| 15a. <u>All proposals (except the proposals on Long Serving INEDs)</u> : for the financial year commencing on or after 1 January 2022  | 143<br>(78%) | 40<br>(22%)   | 183<br>(88%) |
| 15b. <u>Proposals on Long Serving INEDs</u> : for the financial year commencing 1 January 2023   | 113<br>(63%) | 66<br>(37%)   | 179<br>(86%) |

## APPENDIX III: THE STRUCTURE OF THE CURRENT CODE AND RE-ARRANGED CODE

The MDRs, Principles, CPs, RBPs and RDs in the current Code are detailed in the left hand column. The right hand column shows where they have been incorporated (with explanations to any amendments where applicable) into the rearranged Corporate Governance Code:

| Current Location   | New Location   |
|--|--|
| <b>Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices</b> | <b>Part 2 - Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices</b>  |
| <b>Principle A.1 - The Board</b>   | <b>Principle A.1 - Corporate strategy, business model and culture (see paragraphs 23 to 30)</b><br><b>Principle B.1 - Board composition, succession and evaluation</b> |
| CP A.1.1   | CP C.5.1   |
| CP A.1.2   | CP C.5.2   |
| CP A.1.3   | CP C.5.3   |
| CP A.1.4   | CP C.5.4   |
| CP A.1.5   | CP C.5.5   |
| CP A.1.6   | CP C.5.6   |
| CP A.1.7   | CP C.5.7   |
| CP A.1.8   | CP C.1.8   |
| <b>Principle A.2 - Chairman and Chief Executive</b>  | <b>Principle C.2 - Chairman and Chief Executive</b>  |
| CP A.2.1   | CP C.2.1   |
| CP A.2.2   | CP C.2.2   |
| CP A.2.3   | CP C.2.3   |
| CP A.2.4   | CP C.2.4   |
| CP A.2.5   | CP C.2.5   |
| CP A.2.6   | CP C.2.6   |
| CP A.2.7   | CP C.2.7   |
| CP A.2.8   | CP C.2.8   |
| CP A.2.9   | CP C.2.9   |
| <b>Principle A.3 – Board composition</b>   | <b>Principle B.1 - Board composition, succession and evaluation</b>  |
| CP A.3.1   | CP B.1.1   |

| Current Location  | New Location  |
|---|---|
| CP A.3.2  | CP B.1.2  |
| RBP A.3.3   | RBP B.1.6   |
| <b>Principle A.4 – Appointments, re-election and removal</b>                | <b>Principle B.2 – Appointments, re-election and removal</b>  |
| CP A.4.1  | Deleted (see paragraphs 115 to 0)   |
| CP A.4.2  | CP B.2.2 (see the <a href="#">consultation conclusions of the Listing Regime for Overseas Issuers</a> published in November 2021) |
| CP A.4.3  | CP B.2.3 (see paragraphs 47 to 60)  |
| <b>Principle A.5 - Nomination Committee</b>                                 | <b>Principle B.3 - Nomination Committee</b>   |
| CP A.5.1  | Deleted (see paragraphs 96 to 101 and new MB Rule 3.27A / GEM Rule 5.36A)   |
| CP A.5.2  | CP B.3.1  |
| CP A.5.3  | CP B.3.2  |
| CP A.5.4  | CP B.3.3  |
| CP A.5.5  | CP B.3.4  |
| <b>Principle A.6 - Responsibilities of directors</b>                        | <b>Principle C.1 - Responsibilities of directors</b>  |
| CP A.6.1  | CP C.1.1  |
| CP A.6.2  | CP C.1.2  |
| CP A.6.3  | CP B.2.1  |
| CP A.6.4  | CP C.1.3  |
| CP A.6.5  | CP C.1.4  |
| CP A.6.6  | CP C.1.5  |
| CP A.6.7  | CP C.1.6  |
| CP A.6.8  | CP C.1.7  |
| <b>Principle A.7 - Supply of and access to information</b>                  | <b>Principle C.5 - Conduct of board proceedings and supply of and access to information</b>                                       |
| CP A.7.1  | CP C.5.8  |
| CP A.7.2  | CP C.5.9  |
| CP A.7.3  | CP C.5.10   |
| <b>Principle B.1 - The level and make-up of remuneration and disclosure</b> | <b>Principle E.1 - The level and make-up of remuneration and disclosure</b>   |
| CP B.1.1  | CP E.1.1  |
| CP B.1.2  | CP E.1.2  |

| <b>Current Location</b>                                     | <b>New Location</b>   |
|---|---|
| CP B.1.3  | CP E.1.3  |
| CP B.1.4  | CP E.1.4  |
| CP B.1.5  | CP E.1.5  |
| RBP B.1.6   | RBP E.1.6   |
| RBP B.1.7   | RBP E.1.7   |
| RBP B.1.8   | RBP E.1.8   |
| RBP B.1.9   | RBP B.1.5   |
| <b>Principle C.1 - Financial reporting</b>                  | <b>Principle D.1 - Financial reporting</b>  |
| CP C.1.1  | CP D.1.1  |
| CP C.1.2  | CP D.1.2  |
| CP C.1.3  | CP D.1.3  |
| CP C.1.4  | CP A.1.2  |
| CP C.1.5  | CP D.1.4  |
| RBP C.1.6   | RBP D.1.5   |
| RBP C.1.7   | RBP D.1.6   |
| <b>Principle C.2 - Risk management and internal control</b> | <b>Principle D.2 - Risk management and internal control (see paragraphs 120 to 125)</b> |
| CP C.2.1  | CP D.2.1  |
| CP C.2.2  | CP D.2.2 (see paragraphs 120 to 125)  |
| CP C.2.3  | CP D.2.3 (see paragraphs 120 to 125)  |
| CP C.2.4  | CP D.2.4  |
| CP C.2.5  | CP D.2.5  |
| RBP C.2.6   | RBP D.2.8   |
| RBP C.2.7   | RBP D.2.9   |
| <b>Principle C.3 - Audit Committee</b>                      | <b>Principle D.3 - Audit Committee</b>  |
| CP C.3.1  | CP D.3.1  |
| CP C.3.2  | CP D.3.2  |
| CP C.3.3  | CP D.3.3<br>The notes will be incorporated in the new CG Guidance.                      |
| CP C.3.4  | CP D.3.4  |
| CP C.3.5  | CP D.3.5  |
| CP C.3.6  | CP D.3.6  |
| CP C.3.7  | CP D.3.7  |
| RBP C.3.8   | CP D.2.6 (see paragraphs 31 to 38)  |

| Current Location   | New Location   |
|--|--|
| <b>Principle D.1 - Management functions</b>                            | <b>Principle C.3 - Management functions</b>  |
| CP D.1.1   | CP C.3.1   |
| CP D.1.2   | CP C.3.2   |
| CP D.1.3   | Deleted – duplicated with MDR B(e)   |
| CP D.1.4   | CP C.3.3   |
| <b>Principle D.2 - Board Committees</b>                                | <b>Principle C.4 - Board Committees</b>  |
| CP D.2.1   | CP C.4.1   |
| CP D.2.2   | CP C.4.2   |
| <b>D.3 - Corporate Governance Functions</b>                            | <b>Principle A.2 - Corporate Governance Functions</b>  |
| CP D.3.1   | CP A.2.1   |
| CP D.3.2   | Principle A.2 - Corporate Governance Functions   |
| <b>Principle E.1 - Effective communication</b>                         | <b>Principle F.1 - Effective communication</b>   |
| CP E.1.1   | CP F.2.1   |
| CP E.1.2   | CP F.2.2   |
| CP E.1.3   | Deleted (see the <a href="#">consultation conclusions of the Listing Regime for Overseas Issuers</a> published in November 2021) |
| CP E.1.4   | MDR L(b) and (c) (see paragraphs 102 to 109)   |
| CP E.1.5   | CP F.1.1   |
| <b>Principle E.2 - Voting by Poll</b>                                  | <b>Principle F.2 - Shareholders meetings</b>   |
| CP E.2.1   | CP F.2.4   |
| <b>Principle F - Company Secretary</b>                                 | <b>Principle C.6 - Company Secretary</b>   |
| CP F.1.1   | CP C.6.1   |
| CP F.1.2   | CP C.6.2   |
| CP F.1.3   | CP C.6.3   |
| CP F.1.4   | CP C.6.4   |
| <b>Corporate Governance Report – Mandatory Disclosure Requirements</b> | <b>Part 1 - Mandatory Disclosure Requirements</b>  |
| G. Corporate Governance Practices                                      | A. Corporate Governance Practices  |
| H. Directors' Securities Transactions                                  | G. Directors' Securities Transactions  |
| I. Board of Directors  | B. Board of Directors  |
| J. Chairman and Chief Executive  | C. Chairman and Chief Executive  |

| <b>Current Location</b>   | <b>New Location</b>   |
|---|---|
|   | Original item (b) deleted – duplicated with new CP C.2.1  |
| K. Non-executive Directors  | D. Non-executive Directors  |
| L. Board Committees   | E. Board Committees<br>J. Diversity (see paragraphs 68 to 95)   |
| M. Auditor's Remuneration   | I. Auditor's Remuneration and Auditor Related Matters<br><br>The notes are deleted as the references to CPs are not exhaustive.     |
| N. Company Secretary  | F. Company Secretary  |
| O. Shareholders' Rights   | K. Shareholders' Rights   |
| P. Investors Relations  | L. Investors Relations (see paragraphs 102 to 109)  |
| Q. Risk Management and Internal Control   | H. Risk Management and Internal Control   |
| <b>Recommended Disclosures</b>  | <b>N/A (no longer a stand-alone section)</b>  |
| R. Share Interests of Senior Management   | RBP F.1.2(d)  |
| S. Investor Relations   |   |
| S.(a) details of shareholders by type and aggregate shareholding  | RBP F.1.2(a)  |
| S.(b) details of the last shareholders' meeting, including the time and venue, major items discussed and voting particulars | Deleted. For each shareholders' meeting, the relevant details are disclosed in the notice of meeting and the announcement/circular. |
| S.(c) indication of important shareholders' dates in the coming financial year  | RBP F.1.2(b)  |
| S.(d) public float capitalisation at the year end   | RBP F.1.2(c)  |
| T. Management Functions   | Deleted – duplicated with MDR B(e)<br>The note will be incorporated in the new CG Guidance.   |

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## APPENDIX IV: AMENDMENTS TO THE MAIN BOARD LISTING RULES

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### A. Rearranged Appendix 14

#### Appendix 14

#### CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

##### *The Code*

##### **INTRODUCTION**

This Corporate Governance Code sets out: (a) the mandatory requirements for disclosure in an issuer's Corporate Governance Report; and (b) the principles of good corporate governance, and two levels of recommendations: (a) the code provisions on a "comply or explain" basis; and (b) certain recommended best practices. Issuers are encouraged to adopt the recommended best practices on a voluntary basis.

~~Issuers are expected to comply with, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only. Issuers may also devise their own code on corporate governance on the terms they consider appropriate.~~

~~Issuers must state whether they have complied with the code provisions for the relevant accounting period in their interim reports (and summary interim reports, if any) and annual reports (and summary financial reports, if any).~~

~~Every issuer must carefully review each code provision and, where it deviates from any of them, it must give considered reasons:-~~

~~(a) in annual reports (and summary financial reports), in the Corporate Governance Report; and~~

~~(b) in interim reports (and summary interim reports), either:-~~

~~(i) — by giving considered reasons for each deviation; or~~

~~(ii) — to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes with considered reasons for any deviation not reported in that annual report. The references must be clear and unambiguous and the interim report (or summary interim report) must not contain only a cross-reference without any discussion of the matter.~~

~~Issuers are encouraged, but not required, to state whether they have complied with the recommended best practices and give considered reasons for any deviation.~~

##### **Corporate Governance Report Part 1 - Mandatory disclosure requirements**

Issuers must include a Corporate Governance Report prepared by the board of directors in

their annual reports and summary financial reports (if any) under paragraphs 34 and 50 of Appendix 16 to the Exchange Listing Rules (“Corporate Governance Report”) and annual reports under paragraph 34 of Appendix 16. The Corporate Governance Report must contain all the information set out in Paragraphs G to Q of this Appendix the section headed “Part 1 - Mandatory disclosure requirements” below. Any failure to do so will be regarded as a breach of the Exchange Listing Rules.

To ~~a the extent~~ reasonable and appropriate ~~extent~~, the Corporate Governance Report included in an issuer’s summary financial report may be a summary of the Corporate Governance Report contained in the annual report, and may also incorporate information by reference to its annual report. The references must be clear and unambiguous, and the summary must not contain only a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the code provisions set out in the section headed “Part 2 - Principles of good corporate governance, code provisions and recommended best practices” below.

~~Issuers are also encouraged to disclose information set out in Paragraphs R to T of this Appendix in their Corporate Governance Reports.~~

#### **What is “comply or explain”?**

- ~~1. The Code sets out a number of “principles” followed by code provisions and recommended best practices. It is important to recognise that the code provisions and recommended best practices are not mandatory rules. The Exchange does not envisage a “one size fits all” approach. Deviations from code provisions are acceptable if the issuer considers there are more suitable ways for it to comply with the principles.~~
- ~~2. Therefore the Code permits greater flexibility than the Rules, reflecting that it is impractical to define in detail the behaviour necessary from all issuers to achieve good corporate governance. To avoid “box ticking”, issuers must consider their own individual circumstances, the size and complexity of their operations and the nature of the risks and challenges they face. Where an issuer considers a more suitable alternative to a code provision exists, it should adopt it and give reasons. However, the issuer must explain to its shareholders why good corporate governance was achieved by means other than strict compliance with the code provision.~~
- ~~3. Shareholders should not consider departures from code provisions and recommended best practices as breaches. They should carefully consider and evaluate explanations given by issuers in the “comply or explain” process, taking into account the purpose of good corporate governance.~~
- ~~4. An informed, constructive dialogue between issuers and shareholders is important to improving corporate governance.~~

## **Part 2 - Principles of good corporate governance (“Principles”), code provisions and recommended best practices**

The Principles set the overarching direction to achieving good corporate governance. The code provisions are aimed to help issuers apply the Principles.

The Exchange does not envisage a “one size fits all” approach, and appreciates that effective application of the Principles may be achieved by means other than strict compliance with the code provisions depending on a range of factors, including the issuer’s own individual circumstances, the size and complexity of its operations and the nature of the risks and challenges it faces. Issuers are expected to comply with, but may choose to deviate from, the code provisions in order to achieve the spirit of the Principles.

The recommended best practices are for guidance only. The voluntary nature of the recommended best practices does not mean that they are not important, but rather, they are practices which should be adhered to support issuer’s application of the Principles. Issuers are encouraged to state whether they have complied with the recommended best practices and give considered reasons for any deviation.

What is “comply or explain”?

1. Issuers must state whether they have complied with the code provisions for the relevant accounting period in their annual reports (and summary financial reports, if any) and interim reports (and summary interim reports, if any).
2. If an issuer considers that it can adopt the Principles without applying the code provisions, it may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:
  - (a) in the Corporate Governance Report in the annual reports (and summary financial reports, if any) the considered reasons for the deviation and explain how good corporate governance was achieved by means other than strict compliance with the code provision (the “Considered Reasons and Explanation”). The explanation should provide a clear rationale for the alternative actions and steps taken by the issuer and their impacts and outcome; and
  - (b) in the interim reports (and summary interim reports, if any) either:
    - (i) the Considered Reasons and Explanation in respect of the deviation, or
    - (ii) to the extent reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes for any deviation not reported in that annual report with Considered Reasons and Explanation. The references must be clear and unambiguous, and the interim report (or summary interim report) must not contain only a cross-reference without any discussion of the matter.

The Considered Reasons and Explanation are helpful in fostering an informed, constructive dialogue between issuers and shareholders with a view to improving corporate governance continuously. Shareholders are encouraged to engage constructively and discuss with the issuer any deviation from the code provisions. In evaluating the Considered Reasons and Explanation given by the issuer, shareholders

should pay due regard to the issuer's individual circumstances.

3. An issuer would be in breach of the Exchange Listing Rules if it deviates from a code provision but does not provide Considered Reasons and Explanation in the manner as set out above.

### **Linkage between Corporate Governance and Environmental, Social and Governance ("ESG")**

Corporate governance provides the framework within which the board forms their decisions and build their businesses. The entire board should be focusing on creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows issuers to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The ESG Reporting Guide set out in Appendix 27 to the Exchange Listing Rules provides a framework for issuers to, among other things, identify and consider what environmental risks and social risks may be material to them. The board should be responsible for effective governance and oversight of ESG matters, as well as assessment and management of material environmental and social risks. Issuers are required to disclose environmental and social matters in ESG reports in accordance with the ESG Reporting Guide.

## **CORPORATE GOVERNANCE REPORT**

### **PART 1 - MANDATORY DISCLOSURE REQUIREMENTS**

To provide transparency, the issuers must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible: Failure to do so will be regarded as a breach of the Exchange Listing Rules.

#### **A. CORPORATE GOVERNANCE PRACTICES**

- (a) A narrative statement explaining how the issuer has applied the Principles in the Code, enabling its shareholders to evaluate how the principles have been applied to enable shareholders' evaluation of such application;
- (b) a statement as to whether the issuer has complied with ~~meets~~ the code provisions. ~~If an issuer has adopted its own code that exceeds the code provisions, it may draw attention to this fact in its annual report;~~ and
- (c) for any deviation from the code provisions (including adoption of any alternatives other than the code provisions), details of the deviation during the financial year (~~including considered reasons~~ the Considered Reasons and Explanation).

#### **B. BOARD OF DIRECTORS**

- (a) Composition of the board, by category of directors, including name of chairman, executive directors, non-executive directors and independent non-executive directors;
- (b) number of board meetings held during the financial year;
- (c) attendance of each director, by name, at the board and general meetings;

*Notes: 1 Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, attendance by a director at a meeting by electronic means such as telephonic or video-conferencing may be counted as physical attendance.*

*2 If a director is appointed part way during a financial year, the his attendance of such director should be stated by reference to the number of board meetings held during the director's his tenure.*

- (d) for each named director, the number of board or committee meetings ~~he~~ attended by the director, and, separately the number of board or committee meetings attended by ~~his~~ the alternate of the director. Attendance at board or committee meetings by an alternate director should not be counted as attendance by the director ~~himself~~;

- (e) a statement of the respective responsibilities, accountabilities and contributions of the board and management. In particular, a statement of how the board operates, including a high level statement on the types of decisions taken by the board and those delegated to management;
- (f) details of non-compliance (if any) with rules 3.10(1) and (2), and 3.10A and an explanation of the remedial steps taken to address non-compliance. This should cover non-compliance with appointment of a sufficient number of independent non-executive directors and appointment of an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise;
- (g) reasons why the issuer considers an independent non-executive director to be independent where such director ~~he/she~~ fails to meet one or more of the guidelines for assessing independence set out in rule 3.13;
- (h) relationship (including financial, business, family or other material/relevant relationship(s)), if any, between board members and in particular, between the chairman and the chief executive; and
- (i) how each director, by name, complied with ~~A.6.5~~ code provision C.1.4.

### **C. CHAIRMAN AND CHIEF EXECUTIVE**

- ~~(a) — The identity of the chairman and chief executive; and~~
- ~~(b) — whether the roles of the chairman and chief executive are separate and exercised by different individuals.~~

### **D. NON-EXECUTIVE DIRECTORS**

The term of appointment of non-executive directors.

### **E. BOARD COMMITTEES**

The following information for each of the audit committee, remuneration committee, nomination committee, ~~audit committee~~, risk committee (if any), and corporate governance functions:

- (a) the role and function of the committee;
- (b) the composition of the committee and whether it comprises independent non-executive directors, non-executive directors and executive directors (including their names and identifying the chairman of the committee);
- (c) the number of meetings held by the committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and
- (d) a summary of the work during the year, including:

- (i) for the audit committee, a report on how it met its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results, and unless expressly addressed by a separate risk committee, or the board itself, its review of the risk management and internal control systems, the effectiveness of the issuer's internal audit function, and its other duties under the Corporate Governance Code. Details of non-compliance with rule 3.21 (if any) and an explanation of the remedial steps taken by the issuer to address non-compliance with establishment of an audit committee; ~~and~~
- (ii) for the remuneration committee, determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee. Disclose which of the two models of remuneration committee described in ~~B.1.2(e)~~ code provision E.1.2(c) was adopted;
- (iii) for the nomination committee, disclosing the policy for the nomination of directors, ~~performed by the nomination committee or the board of directors (if there is no nomination committee)~~ during the year. This includes the nomination procedures and the process and criteria adopted by the nomination committee ~~or the board of directors (if there is no nomination committee)~~ to select and recommend candidates for directorship during the year. ~~This section should also include the board's policy or a summary of the policy on board diversity, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives;~~
- (iv) for the risk committee (if any), a report on how it met its responsibilities in its review of the risk management and internal control systems and the effectiveness of the issuer's internal audit function; and
- (v) for corporate governance, determining the policy for the corporate governance of the issuer, and duties performed by the board or the committee(s) under ~~D.3.1;~~ code provision A.2.1.

#### **F. COMPANY SECRETARY**

- (a) Where an issuer engages an external service provider as its company secretary, its primary corporate contact person at the issuer (including his/her such person's name and position); and
- (b) details of non-compliance with rule 3.29.

#### **G. DIRECTORS' SECURITIES TRANSACTIONS**

For the Model Code set out in Appendix 10 to the Exchange Listing Rules:

- (a) whether the issuer has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code;

- (b) having made specific enquiry of all directors, whether the directors of the issuer have complied with, or whether there has been any non-compliance with, the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions; and
- (c) for any non-compliance with the required standard set out in the Model Code, if any, details of these and an explanation of the remedial steps taken by the issuer to address them.

## H. RISK MANAGEMENT AND INTERNAL CONTROL

~~Where a~~An issuer includes the board's statement who reports in the Corporate Governance Report that it has conducted a review of the effectiveness of its risk management and internal control systems ~~in the annual report under code provision G.2.1, it under code provision D.2.1~~ must disclose the following:

- (a) whether the issuer has an internal audit function;
- (b) how often the risk management and internal control systems are reviewed, and the period covered, ~~and where an issuer has not conducted a review during the year, an explanation why not;~~ and
- (c) ~~a statement that a review of the effectiveness of the~~ whether the issuer considers its risk management and internal control systems ~~has been conducted and whether the issuer considers them~~ effective and adequate.

## I. AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

An analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the issuer. The analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

~~Note: The code provisions expect issuers to make certain specified disclosures in the Corporate Governance Report. Where issuers choose not to make the expected disclosure, they must give considered reasons for not doing so under paragraph G(c). For ease of reference, the specific disclosure expectations of the code provisions are:~~

- ~~1 directors' acknowledgement of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities (C.1. 3 of the Code);~~
- ~~2 report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the issuer's ability to continue as a going concern (C.1. 3 of the Code);~~

~~3 a statement that the board has conducted a review of the effectiveness of the internal control system of the issuer and its subsidiaries (C.2.1 of the Code); and~~

~~4 a statement from the audit committee explaining its recommendation and the reason(s) why the board has taken a different view from the audit committee on the selection, appointment, resignation or dismissal of external auditors (C.3.5 of the Code).~~

## **J. DIVERSITY**

- (a) The issuer's policy on board diversity or a summary of the policy, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives;
- (b) disclose and explain:
  - (i) how and when gender diversity will be achieved in respect of the board;
  - (ii) the numerical targets and timelines set for achieving gender diversity on its board; and
  - (iii) what measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity.
- (c) disclose and explain the gender ratio in the workforce (including senior management), any plans or measurable objectives the issuer has set for achieving gender diversity and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

*Note: In this Corporate Governance Code, "senior management" refers to the same persons referred to in the issuer's annual report and required to be disclosed under paragraph 12 of Appendix 16.*

## **K. SHAREHOLDERS' RIGHTS**

- (a) How shareholders can convene an extraordinary general meeting;
- (b) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and
- (c) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

## **L. INVESTOR RELATIONS**

- (a) Any significant changes in the issuer's constitutional documents during the year;
- (b) the issuer's shareholders' communication policy (or its summary), which should include channels for shareholders to communicate their views on various matters affecting the issuer, as well as steps taken to solicit and understand the views of

shareholders and stakeholders; and

- (c) a statement of the issuer's review of the implementation and effectiveness of the shareholders' communication policy conducted during the year (including how it arrives at the conclusion).

## **~~RECOMMENDED DISCLOSURES~~**

~~The disclosures set out in the following paragraphs on corporate governance matters are provided for issuers' reference. They are not intended to be exhaustive or mandatory. They are intended to show the areas which issuers may comment on in their Corporate Governance Report. The level of detail needed varies with the nature and complexity of issuers' business activities. Issuers are encouraged to include the following information in their Corporate Governance Report:~~

### **~~R. SHARE INTERESTS OF SENIOR MANAGEMENT~~**

~~The number of shares held by senior management (i.e. those individuals whose biographical details are disclosed in the annual report).~~

### **~~S. INVESTOR RELATIONS~~**

- ~~(a) Details of shareholders by type and aggregate shareholding;~~
- ~~(b) details of the last shareholders' meeting, including the time and venue, major items discussed and voting particulars;~~
- ~~(c) indication of important shareholders' dates in the coming financial year; and~~
- ~~(d) public float capitalisation at the year end.~~

### **~~T. MANAGEMENT FUNCTIONS~~**

~~The division of responsibility between the board and management.~~

~~*Note: Issuers may consider that some of the information recommended under paragraphs R to T is too lengthy and detailed to be included in the Corporate Governance Report. As an alternative to full disclosure in the Corporate Governance Report, issuers may choose to include some or all of this information:*~~

- ~~(a) on its website and highlight to investors where they can:~~
- ~~(i) access the soft copy by giving a hyperlink direct to the relevant webpage; and/or~~
- ~~(ii) collect a hard copy of the relevant information free of charge; or~~
- ~~(b) where the information is publicly available, by stating where the information can be found. Any hyperlink should be direct to the relevant webpage.~~

**PART 2 - PRINCIPLES OF GOOD CORPORATE GOVERNANCE,**  
**CODE PROVISIONS AND**  
**RECOMMENDED BEST PRACTICES**

**A. DIRECTORS CORPORATE PURPOSE, STRATEGY AND GOVERNANCE**

**A.1 The Board Corporate strategy, business model and culture**

**Principle**

An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

~~The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.~~

**Code Provisions**

A.1.1 The board should establish the issuer's purpose, values and strategy, and satisfy itself that these and the issuer's culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

A.1.2 The directors should include ~~in the separate statement containing~~ a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.

*Note: An issuer should have a corporate strategy and a long term business model. Long term financial performance as opposed to short term rewards should be a corporate governance objective. An issuer's board should not take undue risks to make short term gains at the expense of long term objectives.*

**A.2 Corporate Governance Functions**

**Principle**

The board is responsible for performing the corporate governance duties. It may delegate the responsibility to a committee or committees.

**Code Provisions**

A.2.1 The terms of reference of the board (or a committee or committees

performing this function) should include at least:

- (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the issuer's compliance with the ~~code~~ Corporate Governance Code and disclosure in the Corporate Governance Report.

~~D.3.2 The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.~~

## **B. BOARD COMPOSITION AND NOMINATION**

### **B.1 Board composition, succession and evaluation**

#### **Principle**

The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business, and should ensure that the directors devote sufficient time and make contributions to the issuer that are commensurate with their role and board responsibilities. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

#### **Code Provisions**

- B.1.1 The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.
- B.1.2 An issuer should maintain on its website and on the Exchange's website an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.
- B.1.3 The board should review the implementation and effectiveness of the

issuer's policy on board diversity on an annual basis.

- B.1.4 An issuer should establish mechanism(s) to ensure independent views and input are available to the board and disclose such mechanism(s) in its Corporate Governance Report. The board should review the implementation and effectiveness of such mechanism(s) on an annual basis.

### **Recommended Best Practices**

- B.1.5 The board should conduct a regular evaluation of its performance.

- B.1.6 The board should state its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships or has significant links with other directors through involvements in other companies or bodies.

*Note: A cross-directorship exists when two (or more) directors sit on each other's boards.*

## **B.2 Appointments, re-election and removal**

### **Principle**

There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

### **Code Provisions**

- ~~A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.~~
- B.2.1 ~~Every d~~Directors should ensure that ~~he~~they can give sufficient time and attention to the issuer's affairs and should not accept the appointment if ~~he~~they cannot do so.
- B.2.2 ~~All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.~~
- B.2.3 ~~Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director has served~~more than nine years, his~~such director's~~ further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should ~~include the reasons~~ state why the board (or the

nomination committee) believes that he/the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination.

B.2.4 Where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should:

- (a) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and
- (b) appoint a new independent non-executive director on the board at the forthcoming annual general meeting<sup>1</sup>.

### **B.3 Nomination Committee**

#### **Principle**

In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under A.3 and A.4B.1 and B.2.

#### **Code Provisions**

~~A.5.1 Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.~~

B.3.1 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties:-

- (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
- (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;
- (c) assess the independence of independent non-executive directors; and
- (d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in

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<sup>1</sup> The appointment of a new independent non-executive director requirement will come into effect for the financial year commencing on or after 1 January 2023.

particular the chairman and the chief executive.

- B.3.2 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Exchange's website and issuer's website.
- B.3.3 Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.
- B.3.4 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:
- (a) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;
  - (b) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board;
  - (c) the perspectives, skills and experience that the individual can bring to the board; and
  - (d) how the individual contributes to diversity of the board.

## **C. DELEGATION BY THE BOARD DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS**

### **C.1 Responsibilities of directors**

#### **Principle**

Every director must always know ~~his~~their responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

#### **Code Provisions**

- C.1.1 ~~Every n~~Newly appointed directors of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently ~~he~~they should receive any briefing and professional development necessary to ensure that ~~he has~~they have a proper understanding of the issuer's operations and business and ~~is~~are fully

aware of ~~his~~their responsibilities under statute and common law, the Exchange Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

C.1.2 The functions of non-executive directors should include:

- (a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and
- (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

C.1.3 The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities. "Relevant employee" includes any employee or a director or employee of a subsidiary or holding company who, because of ~~his~~such office or employment, is likely to possess inside information in relation to the issuer or its securities.

C.1.4 All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.

*Note: Directors should provide a record of the training they received to the issuer.*

C.1.5 ~~Each~~Directors should disclose to the issuer at the time of ~~his~~their appointments, and in a timely manner for any changes, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.

C.1.6 Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Note: Non-executive directors' attendance at general meetings is important. An independent non-executive director is often the chairman or a member of board committees and as such, the individual should be accountable to shareholders by being available to respond to questions and enquiries in relation to their work. Without attending general meetings, the director will not be able to develop a balanced understanding of the views of shareholders.

- C.1.7 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.
- C.1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.

## **C.2 Chairman and Chief Executive**

### **Principle**

There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

### **Code Provisions**

- C.2.1 The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.
- C.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.
- C.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.
- C.2.4 One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. ~~He~~The chairman should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.

- C.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.
- C.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.
- C.2.7 The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.
- C.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.
- C.2.9 The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

### **C.3 Management functions**

#### **Principle**

An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.

#### **Code Provisions**

- C.3.1 When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf.

*Note: The board should not delegate matters to a board committee, executive directors or management to an extent that would significantly hinder or reduce the ability of the board as a whole to perform its functions.*

- C.3.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs.

~~D.1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management.~~

- C.3.3 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

#### **C.4 Board Committees**

##### **Principle**

Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

##### **Code Provisions**

- C.4.1 Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.
- C.4.2 The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

#### **C.5 Conduct of board proceedings and sSupply of and access to information**

##### **Principle**

The issuer should ensure directors can participate in board proceedings in a meaningful and effective manner. Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

##### **Code Provisions**

- C.5.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. So, a regular meeting does not include obtaining board consent through circulating written resolutions.
- C.5.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.
- C.5.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.
- C.5.4 Minutes of board meetings and meetings of board committees should be

kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.

- C.5.5 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.
- C.5.6 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the issuer.
- C.5.7 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

*Note: Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, ~~a director's attendance by a director at a meeting by electronic means including such as telephonic or videoconferencing may be counted as physical attendance at a physical board meeting.~~*

- C.5.8 For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).
- C.5.9 Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfil ~~his~~their duties properly, ~~a~~directors may not, in all circumstances, be able to rely purely on information provided voluntarily by management and ~~he~~they may need to make further enquiries. Where any director requires more information than is volunteered by management, ~~he~~that director should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management.
- C.5.10 All directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on

matters placed before it. Queries raised by directors should receive a prompt and full response, if possible.

## **C.6 Company Secretary**

### **Principle**

The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

### **Code Provisions**

C.6.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. Where an issuer engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the issuer whom the external provider can contact.

C.6.2 The board should approve the selection, appointment or dismissal of the company secretary.

*Note: A board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution.*

C.6.3 The company secretary should report to the board chairman and/or the chief executive.

C.6.4 All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

## **D. ACCOUNTABILITY AND AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT**

### **D.1 Financial reporting**

#### **Principle**

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

## Code Provisions

D.1.1 Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.

D.1.2 Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13.

*Note: The information provided may include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements such as monthly management accounts and management updates. For budgets, any material variance between the projections and actual results should also be disclosed and explained.*

D.1.3 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the issuer may refer to other parts of the annual report. These references should be clear and unambiguous, and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.

D.1.4 The board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Exchange Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.

## Recommended Best Practices

D.1.5 An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter. These should disclose sufficient information to enable shareholders to assess the issuer's

performance, financial position and prospects. An issuer's quarterly financial results should be prepared using the accounting policies of its half-year and annual accounts.

- D.1.6 Once an issuer announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reason(s) for this decision.

## D.2 Risk management and internal control

### Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting Guide in Appendix 27 to the Exchange Listing Rules for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

### Code Provisions

- D.2.1 The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.
- D.2.2 The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, ~~and~~ financial reporting functions, as well as those relating to the issuer's ESG performance and reporting.
- D.2.3 The board's annual review should, in particular, consider:
- (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the issuer's ability to respond to changes in its business and the external environment;
  - (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other

assurance providers;

- (c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the issuer and the effectiveness of risk management;
- (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and
- (e) the effectiveness of the issuer's processes for financial reporting and Exchange Listing Rule compliance.

D.2.4 Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose:

- (a) the process used to identify, evaluate and manage significant risks;
- (b) the main features of the risk management and internal control systems;
- (c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;
- (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and
- (e) the procedures and internal controls for the handling and dissemination of inside information.

D.2.5 The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

*Notes:*

- 1 *An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the issuer's risk management and internal control systems.*

2 *A group with multiple listed issuers may share group resources to carry out the internal audit function for members of the group.*

D.2.6 The issuer should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the audit committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the issuer.

D.2.7 The issuer should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.

### **Recommended Best Practices**

D.2.8 The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.

D.2.9 The board may disclose in the Corporate Governance Report details of any significant areas of concern.

## **D.3 Audit Committee**

### **Principle**

The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the Exchange Listing Rules should have clear terms of reference.

### **Code Provisions**

D.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.

D.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of the person ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm,

whichever is later.

D.3.3 The audit committee's terms of reference should include at least:-

*Relationship with the issuer's auditors*

- (a) to be primarily responsible for making recommendations to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of the issuer's financial information*

- (d) to monitor integrity of the issuer's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the board, the committee should focus particularly on:-
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Exchange Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-

- (i) members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the issuer's auditors; and
- (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

*Oversight of the issuer's financial reporting system, risk management and internal control systems*

- (f) to review the issuer's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the issuer's risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness;
- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the board on the matters in this code provision; and
- (n) to consider other topics, as defined by the board.

~~Notes:—These are only intended to be suggestions on how compliance with this code provision may be achieved and do not form part of it.~~

~~1—The audit committee may wish to consider establishing the following procedure to review and monitor the independence of external auditors:—~~

~~(i)—consider all relationships between the issuer and the audit firm (including non-audit services);~~

~~(ii)—obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and~~

~~(iii)—meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.~~

~~2—The audit committee may wish to consider agreeing with the board the issuer's policies on hiring employees or former employees of the external auditors and monitoring the application of these policies. The audit committee should then be in a position to consider whether there has been or appears to be any impairment of the auditor's judgement or independence for the audit.~~

~~3—The audit committee should ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the audit committee may wish to consider:~~

~~(i)—whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;~~

~~(ii)—whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;~~

~~(iii)—the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and~~

~~(iv)—criteria for compensation of the individuals performing the audit.~~

~~4 For further guidance, issuers may refer to the “Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor’s Independence” issued by the Technical Committee of the International Organization of Securities Commissions in October 2002 and “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants in February 2002. Issuers may also adopt the terms of reference in those guides, or any other comparable terms of reference for establishing an audit committee.~~

- D.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange’s website and the issuer’s website.
- D.3.5 Where the board disagrees with the audit committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.
- D.3.6 The audit committee should be provided with sufficient resources to perform its duties.
- D.3.7 The terms of reference of the audit committee should also require it:
- (a) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
  - (b) to act as the key representative body for overseeing the issuer’s relations with the external auditor.

#### **Recommended Best Practice**

- ~~C.3.8 The audit committee should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the issuer.~~

## **E. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION**

### **E.1 The level and make-up of remuneration and disclosure**

#### **Principle**

An issuer should ~~disclose its~~ have a formal and transparent policy on directors' remuneration ~~policy~~ and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding ~~his~~ that director's own remuneration.

#### **Code Provisions**

E.1.1 The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary.

E.1.2 The remuneration committee's terms of reference should include, as a minimum:-

- (a) to make recommendations to the board on the issuer's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;
- (c) either:
  - (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or
  - (ii) to make recommendations to the board on the remuneration packages of individual executive directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (d) to make recommendations to the board on the remuneration of non-executive directors;

- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no director or any of ~~his~~their associates is involved in deciding ~~his~~that director's own remuneration.

E.1.3 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the issuer's website.

E.1.4 The remuneration committee should be provided with sufficient resources to perform its duties.

E.1.5 Issuers should disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in their annual reports.

### **Recommended Best Practices**

E.1.6 If ~~B.1.2(e)(ii)~~E.1.2(c)(ii) is adopted, where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.

E.1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.

E.1.8 Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.

E.1.9 Issuers generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

## F. ~~COMMUNICATION WITH SHAREHOLDERS~~SHAREHOLDERS ENGAGEMENT

### F.1 Effective communication

#### Principle

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

#### Code Provisions

F.1.1 The issuer should have a policy on payment of dividends and should disclose it in the annual report.

#### Recommended Best Practices

F.1.2 Issuers are encouraged to include the following information in their Corporate Governance Report:

- (a) details of shareholders by type and aggregate shareholding;
- (b) indication of important shareholders' dates in the coming financial year;
- (c) the percentage of public float, based on information that is publicly available to the issuer and within the knowledge of its directors as at the latest practicable date prior to the issue of the annual report;  
and
- (d) the number of shares held by each of the senior management.

### F.2 ~~Voting by Poll~~Shareholders meetings

#### Principle

The issuer should ensure that shareholders are given sufficient notice of shareholders meetings and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

#### Code Provisions

~~F.2.1 The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.~~

F.2.1 For each substantially separate issue at a general meeting, a separate

resolution should be proposed by the chairman of that meeting. Issuers should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, issuers should explain the reasons and material implications in the notice of meeting.

*Note: An example of a substantially separate issue is the nomination of persons as directors. Accordingly, each person should be nominated by means of a separate resolution.*

- F.2.2 The chairman of the board should attend the annual general meeting. The chairman of the board He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, ~~he~~ the chairman should invite another member of the committee or failing this ~~his~~ their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders’ approval. An issuer’s management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors’ report, the accounting policies and auditor independence.

*Note: Subject to the issuer’s constitutional documents, and the laws and regulations of its place of incorporation, attendance by the above persons at a meeting by electronic means such as telephonic or videoconferencing may be counted as physical attendance.*

- F.2.3 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

## B. Amendments to Other MB Rules

### Chapter 3

#### GENERAL

#### AUTHORISED REPRESENTATIVES, DIRECTORS, BOARD COMMITTEES AND COMPANY SECRETARY

##### Nomination Committee

3.27A An issuer must establish a nomination committee chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors.

### Chapter 13

#### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

##### Meetings of Shareholders

...

13.39 (5A) The issuer must state in the poll results announcement directors' attendance at the general meeting.

...

##### Environmental and Social Matters

13.91 (5) Where the ESG report does not form part of the issuer's annual report:

.....

(d) ~~The issuer shall publish~~ ~~is encouraged to publish~~ the ESG report at the same time as the publication of the annual report. ~~In any event, the issuer should publish the ESG report as close as possible to, and no later than five months after, the end of the financial year.~~

13.92 The nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. Board diversity differs according to the circumstances of each issuer. While diversity of board members can be achieved through consideration of a number of factors (including but not limited to gender, age, cultural and educational background, or professional experience), the Exchange will not consider diversity to be achieved for a single gender board.

*Note: As a transitional arrangement, issuers with a single gender board will have to appoint at least a director of a different gender on the board no later than 31 December 2024. Board diversity will differ according to the circumstances of each issuer. Diversity of board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience. Each issuer should take into account its own business*

~~model and specific needs, and disclose the rationale for the factors it uses for this purpose.~~

## Appendix 5

### 附錄五

#### Declaration and Undertaking with regard to Directors

#### 董事的聲明及承諾

#### Form B

#### B表格

#### Part 1

#### 第一部分

#### Declaration

#### 聲明

1. State:—  
請填報:

in English  
英文

in Chinese  
中文

...

(i) sex (male / female  
/ non-binary / others)

性別 (男 / 女 /

非二元性別 / 其他)

.....

.....

**Appendix 5**

**附錄五**

**Declaration and Undertaking with regard to Directors of an Issuer incorporated in the People's Republic of China ("PRC")**

**在中華人民共和國（「中國」）註冊成立的發行人的董事的聲明及承諾**

**Form H**

**H表格**

**Part 1**

**第一部分**

**DECLARATION**

**聲明**

1. State:—

請填報：

in English

英文

in Chinese

中文

...

(i) sex (male / female / non-binary / others)

性別 (男 / 女 /

非二元性別 / 其他)

## Appendix 27

### Environmental, Social and Governance Reporting Guide

#### Part A: Introduction

##### The Guide

...

- (4) (2) Where the ESG report does not form part of the issuer's annual report:
- (d) The issuer ~~shall publish~~ is encouraged to publish the ESG report at the same time as the publication of the annual report. ~~In any event, the issuer should publish the ESG report as close as possible to, and no later than five months after, the end of the financial year.~~

## C. Consequential Amendments to MB Rules

### Chapter 1

#### GENERAL

#### INTERPRETATION

1.01 ...

|  |   |
|--|---|
| “connected person”                                 | ...   |
| <b><u>“Considered Reasons and Explanation”</u></b> | <u>has the meaning defined in Appendix 14</u> |
| “controlling shareholder”                          | ...   |

### Chapter 8A

#### EQUITY SECURITIES

#### WEIGHTED VOTING RIGHTS

#### CORPORATE GOVERNANCE

...

#### Independent Non-Executive Directors

##### *Role of an independent non-executive director*

8A.26 The role of an independent non-executive director of a listed issuer with a WVR structure must include but is not limited to the functions described in ~~Code Provisions A.6.2, A.6.7 and A.6.8~~code provisions C.1.2, C.1.6 and C.1.7 in Part 2 of Appendix 14 to these rules.

##### ***Nomination committee***

8A.27 Issuers with a WVR structure must establish a nomination committee that complies with Section ~~A5~~B.3 in Part 2 of Appendix 14 of these rules.

*Note: The appointment or re-appointment of directors, including independent non-executive directors must be subject to the recommendation of the nomination committee, in accordance with ~~A.5.2(b) and (d)~~sub-paragraphs (b) and (d) of code provision B.3.1 in Part 2 of Appendix 14 of these rules.*

8A.28 The nomination committee established under rule 8A.27 must be chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

...

**Corporate Governance Committee**  
**Terms of reference**

8A.30 An issuer with a WVR structure must establish a Corporate Governance Committee with at least the terms of reference set out in ~~Code Provision D.3.4~~ code provision A.2.1 in Part 2 of Appendix 14 to these rules, and the following additional terms:

...

**Communication with Shareholders**

8A.35 An issuer with a WVR structure must comply with Section ~~EF "Communication with Shareholders~~ Engagement" in Part 2 of Appendix 14 to these rules.

**Chapter 13**

**EQUITY SECURITIES**

**CONTINUING OBLIGATIONS**

**DISCLOSURE OF FINANCIAL INFORMATION**

**Distribution of annual report and accounts**

...

13.46 (2) (c) ...

Notes: ...

4. ...

(b) *a statement as to whether it complies with the ~~Corporate Governance Code~~ code provisions in Part 2 of Appendix 14 and, if not, the ~~reason for~~ Considered Reasons and Explanation in respect of the deviation; and*

...

**Interim Reports**

13.48 (1) ...

Note: ...

(b) *a statement as to whether it complies with the ~~Corporate Governance Code~~ code provisions in Part 2 of Appendix 14 and, if not, the ~~reason for~~ Considered Reasons and Explanation in respect of the deviation; and*

...

**GENERAL**

**Corporate Governance Code**

13.89 (1) The Corporate Governance Code in Appendix 14 sets out: (a) the mandatory requirements for disclosure in an issuer's Corporate Governance Report, and (b) the principles of good corporate governance and two levels of recommendations: (a), the code provisions on a "comply or explain" basis; and (b) certain recommended best practices. Issuers are expected to comply with, but may choose to deviate from, the code provisions. The encouraged to adopt the

recommended best practices are for ~~guidance only~~ on a voluntary basis.

*Note: Issuers may also devise their own code on corporate governance practices on such terms as they may consider appropriate.*

- (2) Issuers must state whether they have complied with the code provisions set out in ~~the Corporate Governance Code~~ Part 2 of Appendix 14 for the relevant accounting period in their interim reports (and summary interim reports, if any) and annual reports (and summary financial reports, if any).

*Note: For the requirements governing preliminary results announcements, see paragraphs 45 and 46 of Appendix 16.*

- (3) ~~Where the issuer deviates from the code provisions, it must give considered reasons:~~ An issuer may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:

(a) ~~for annual reports (and summary financial reports), in the Corporate Governance Report under Appendix 14~~ in the annual reports (and summary financial reports, if any) the Considered Reasons and Explanation. The explanation should provide a clear rationale for the alternative actions and steps taken by the issuer and their impacts and outcome; and

(b) ~~for~~ in the interim reports (and summary interim reports, if any), either:

(i) ~~by giving considered reasons for each deviation~~ the Considered Reasons and Explanation in respect of the deviation; or

(ii) ~~to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report, and providing details of any changes together with considered reasons for any deviation not reported in that annual report~~ with Considered Reasons and Explanation. The references must be clear and unambiguous, and the interim report (or summary interim report) must not contain only a cross-reference without any discussion of the matter.

- (4) For the recommended best practices, issuers are encouraged, ~~but are not required,~~ to state whether they have complied with them and give considered reasons for any deviation.

## Chapter 19C

### EQUITY SECURITIES

#### SECONDARY LISTINGS OF QUALIFYING ISSUERS

...

##### Exceptions to the Rules for All Qualifying Issuers

- 19C.11 The following rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Exchange: 3.17; 3.21 to 3.23; 3.25 to 3.27A; 3.28; 3.29; 4.06; 4.07; Chapter 7; 8.09(4) (exception limited to issues outside the Exchange's markets); 8.18 (exception limited to issues outside the Exchange's markets); 9.11(10)(b); 10.05; 10.06(2)(a) to (c); 10.06(2)(e); 10.06(4); 10.06(5); 10.07(1); 10.07(2) to (4); 10.08; 13.11 to 13.22; 13.23(1); 13.23(2); 13.25A; 13.27; 13.28; 13.29; 13.31(1); 13.37; 13.38; 13.39(1) to (5A); 13.39(6) to (7) (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.40 to 13.42; 13.44 to 13.45; 13.47; 13.48(2); 13.49; 13.51(1); 13.51(2) (each new director or member of the Qualifying Issuer's governing body must sign and lodge with the Exchange, as soon as practicable, a declaration and undertaking in the form set out in Form B of Appendix 5); 13.51B; 13.51C; 13.52(1)(b) to (d); 13.52(1)(e)(i) to (ii); 13.52(1)(e)(iv) (exception limited to issues outside the Exchange's markets); 13.52(2); 13.67; 13.68; 13.74; 13.80 to 13.87 (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.88; 13.89; 13.91; Chapter 14; Chapter 14A; Chapter 15 (exception limited to issues outside the Exchange's markets); Chapter 16 (exception limited to issues outside the Exchange's markets); Chapter 17; 19.57; Practice Note 4 (exception limited to issues outside the Exchange's markets); Practice Note 15 paragraphs 1 to 3(b) and 3(d) to 5 (exception limited to circumstances where the spun-off assets or businesses are not to be listed on the Exchange's markets and the approval of shareholders of the parent is not required); Appendix 3 paragraphs 1, 2(1), 3, 4(1), 4(2), 4(4), 4(5), 5, 6, 7(1), 7(3), 8, 9, 10, 11, 13(1); Appendix 10; Appendix 14; ~~Appendix 15~~; Appendix 16; Appendix 21 (exception does not apply in circumstances where a spin-off proposal requires approval by shareholders of the parent); Appendix 22 (exception does not apply in circumstances where a spin-off proposal requires approval by shareholders of the parent) and Appendix 27.

## Appendix 16

### DISCLOSURE OF FINANCIAL INFORMATION

#### Information in annual reports

6. ...

6.3 ...

- (n) *provision of information in respect of ~~corporate governance~~ code provisions ~~B.1.5~~E.1.5 (remuneration payable to members of senior management by band) and ~~C.1.4A.1.2~~ (discussion and analysis of group's performance) in Part 2 of Appendix 14 or ~~explain reason for~~provide the Considered Reasons and Explanation in respect of any deviation.*

...

34. An issuer must include, in respect of the group, a separate Corporate Governance Report prepared by the board on its corporate governance practices. The report must, as a

minimum, contain the information required under ~~paragraphs G to Q~~Part 1 of Appendix 14 regarding the accounting period covered by the annual report. To the extent ~~that it is~~ reasonable and appropriate, the issuer may incorporate by reference information in its annual report into the Corporate Governance Report. ~~Any such~~The references must be clear and unambiguous, and the Corporate Governance Report must not contain only a cross-reference without any discussion of the matter.

...

#### **Information to accompany interim reports**

44. ...

- (1) a statement in relation to the accounting period covered by the interim report on whether the listed issuer meets the code provisions set out in ~~the Corporate Governance Code contained in~~Part 2 of Appendix 14. ~~Where there are any deviations from the code provisions in the Code, the listed issuer must give considered reasons for the deviations from the code provisions, either by:~~An issuer may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:
  - (a) ~~giving considered reasons for each deviation~~the Considered Reasons and Explanation in respect of the deviation; or
  - (b) to the extent ~~that it is~~ reasonable and appropriate, by referring to the Corporate Governance Report in the ~~immediately~~-preceding annual report, and providing details of any changes ~~together with considered reasons~~ for any deviation not reported in that annual report with Considered Reasons and Explanation. ~~Any such~~The references must be clear and unambiguous, and the interim report must not only contain a cross-reference without any discussion of the matter;

...

#### **Information to accompany preliminary announcements of Results for the financial year**

45. ...

- (5) a statement as to whether the listed issuer meets the code provisions set out in ~~the Corporate Governance Code contained in~~Part 2 of Appendix 14. The listed issuer must also disclose any deviations from the code provisions ~~and give considered reasons for such deviations~~with Considered Reasons and Explanation. To the extent ~~that it is~~ reasonable and appropriate, such information may be given by reference to the ~~immediately~~-preceding interim report or to the Corporate Governance Report in the ~~immediately~~-preceding annual report, and summarising any changes since that report. ~~Any such~~The references must be clear and unambiguous;

...

## Information to accompany preliminary announcements of Interim results

46. ...  
(4) a statement as to whether the listed issuer meets the code provisions set out in ~~the Corporate Governance Code contained in~~ Part 2 of Appendix 14. The listed issuer must also disclose any deviations from the code provisions ~~and give considered reasons for such deviations~~ with Considered Reasons and Explanation. To the extent ~~that it is~~ reasonable and appropriate, such information may be given by reference to the Corporate Governance Report in the ~~immediately~~ preceding annual report, and summarising any changes since that annual report. ~~Any such~~ The references must be clear and unambiguous;

...

## Summary financial reports

50. ...  
(2) a separate Corporate Governance Report prepared by the board on its corporate governance practices. The report must, as a minimum, contain the information required under ~~paragraphs G to Q~~ Part 1 of Appendix 14 regarding the accounting period covered by the annual report. To the extent ~~that it is~~ reasonable and appropriate, this Corporate Governance Report may ~~take the form of~~ be a summary of the Corporate Governance Report contained in the annual report, and may also incorporate information by reference to its annual report. ~~Any such~~ The references must be clear and unambiguous, and the summary must not contain only a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the ~~Corporate Governance Code~~ code provisions in Part 2 of Appendix 14.

...

## Recommended additional disclosure

52. ...  
*52.1 Issuers should also note the ~~recommended disclosures set out in paragraphs R to T~~ recommended best practices F.1.2 in Part 2 of Appendix 14.*

## Appendix 27

### Environmental, Social and Governance Reporting Guide

#### Part A: Introduction

##### The Guide

3. “Comply or explain” provisions are set out in Part C of this Guide. An issuer must report on the “comply or explain” provisions of this Guide. If the issuer does not report on one or more of these provisions, it must provide considered reasons in its ESG report. For guidance on the “comply or explain” approach, issuers may refer to the “*What is “comply or explain”?*” section of the Corporate Governance Code and ~~Corporate Governance Report (“Corporate Governance Code”)~~ in Appendix 14 of the Main Board Listing Rules.

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## APPENDIX V: AMENDMENTS TO THE GEM LISTING RULES

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### A. Rearranged Appendix 15

#### Appendix 15

#### ~~CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT~~

#### ~~*The Code*~~

#### INTRODUCTION

This Corporate Governance Code sets out: (a) the mandatory requirements for disclosure in an issuer's Corporate Governance Report; and (b) the principles of good corporate governance, and two levels of recommendations: (a) the code provisions on a "comply or explain" basis; and (b) certain recommended best practices. Issuers are encouraged to adopt the recommended best practices on a voluntary basis.

~~Issuers are expected to comply with, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only. Issuers may also devise their own code on corporate governance on the terms they consider appropriate.~~

~~Issuers must state whether they have complied with the code provisions for the relevant accounting period in their half-year reports (and summary half-year reports, if any) and annual reports (and summary financial reports, if any).~~

~~Every issuer must carefully review each code provision and, where it deviates from any of them, it must give considered reasons:-~~

~~(a) in annual reports (and summary financial reports), in the Corporate Governance Report; and~~

~~(b) in half-year reports (and summary half-year reports), either:-~~

~~(i) by giving considered reasons for each deviation; or~~

~~(ii) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes with considered reasons for any deviation not reported in that annual report. The references must be clear and unambiguous and the half-year report (or summary half-year report) must not contain only a cross-reference without any discussion of the matter.~~

~~Issuers are encouraged, but not required, to state whether they have complied with the recommended best practices and give considered reasons for any deviation.~~

## **Corporate Governance Report Part 1 - Mandatory disclosure requirements**

Issuers must include a ~~C~~orporate ~~G~~overnance ~~R~~eport prepared by the board of directors in their annual reports and summary financial reports (if any) under rules 18.44 and 18.81 (“Corporate Governance Report”)~~and annual reports under rule 18.44~~. The Corporate Governance Report must contain all the information set out in ~~Paragraphs G to Q of this Appendix~~the section headed “Part 1 - Mandatory disclosure requirements” below. Any failure to do so will be regarded as a breach of the GEM Listing Rules.

To ~~a~~the extent reasonable and appropriate ~~extent~~, the Corporate Governance Report included in an issuer’s summary financial report may be a summary of the Corporate Governance Report contained in the annual report~~1~~, and may also incorporate information by reference to its annual report. The references must be clear and unambiguous~~1~~, and the summary must not ~~only~~ only contain a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the code provisions set out in the section headed “Part 2 - Principles of good corporate governance, code provisions and recommended best practices” below.

~~Issuers are also encouraged to disclose information set out in Paragraphs R to T of this Appendix in their Corporate Governance Reports.~~

### **What is “comply or explain”?**

- ~~1. The Code sets out a number of “principles” followed by code provisions and recommended best practices. It is important to recognise that the code provisions and recommended best practices are not mandatory rules. The Exchange does not envisage a “one size fits all” approach. Deviations from code provisions are acceptable if the issuer considers there are more suitable ways for it to comply with the principles.~~
- ~~2. Therefore, the Code permits greater flexibility than the Rules, reflecting that it is impractical to define in detail the behaviour necessary from all issuers to achieve good corporate governance. To avoid “box ticking”, issuers must consider their own individual circumstances, the size and complexity of their operations and the nature of the risks and challenges they face. Where an issuer considers a more suitable alternative to a code provision exists, it should adopt it and give reasons. However, the issuer must explain to its shareholders why good corporate governance was achieved by means other than strict compliance with the code provision.~~
- ~~3. Shareholders should not consider departures from code provisions and recommended best practices as breaches. They should carefully consider and evaluate explanations given by issuers in the “comply or explain” process, taking into account the purpose of good corporate governance.~~
- ~~4. An informed, constructive dialogue between issuers and shareholders is important to improving corporate governance.~~

## **Part 2 - Principles of good corporate governance (“Principles”), code provisions and recommended best practices**

The Principles set the overarching direction to achieving good corporate governance. The code provisions are aimed to help issuers apply the Principles.

The Exchange does not envisage a “one size fits all” approach, and appreciates that effective application of the Principles may be achieved by means other than strict compliance with the code provisions depending on a range of factors, including the issuer’s own individual circumstances, the size and complexity of its operations and the nature of the risks and challenges it faces. Issuers are expected to comply with, but may choose to deviate from, the code provisions in order to achieve the spirit of the Principles.

The recommended best practices are for guidance only. The voluntary nature of the recommended best practices does not mean that they are not important, but rather, they are practices which should be adhered to support issuer’s application of the Principles. Issuers are encouraged to state whether they have complied with the recommended best practices and give considered reasons for any deviation.

What is “comply or explain”?

1. Issuers must state whether they have complied with the code provisions for the relevant accounting period in their annual reports (and summary financial reports, if any) and half-year reports (and summary half-year reports, if any).
2. If an issuer considers that it can adopt the Principles without applying the code provisions, it may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:
  - (a) in the Corporate Governance Report in the annual reports (and summary financial reports, if any) the considered reasons for the deviation and explain how good corporate governance was achieved by means other than strict compliance with the code provision (the “Considered Reasons and Explanation”). The explanation should provide a clear rationale for the alternative actions and steps taken by the issuer and their impacts and outcome; and
  - (b) in the half-year reports (and summary half-year reports, if any) either:
    - (i) the Considered Reasons and Explanation in respect of the deviation, or
    - (ii) to the extent reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes for any deviation not reported in that annual report with Considered Reasons and Explanation. The references must be clear and unambiguous, and the half-year report (or summary half-year report) must not contain only a cross-reference without any discussion of the matter.

The Considered Reasons and Explanation are helpful in fostering an informed, constructive dialogue between issuers and shareholders with a view to improving corporate governance continuously. Shareholders are encouraged to engage constructively and discuss with the issuer any deviation from the code provisions. In

evaluating the Considered Reasons and Explanation given by the issuer, shareholders should pay due regard to the issuer's individual circumstances.

3. An issuer would be in breach of the GEM Listing Rules if it deviates from a code provision but does not provide Considered Reasons and Explanation in the manner as set out above.

### **Linkage between Corporate Governance and Environmental, Social and Governance (“ESG”)**

Corporate governance provides the framework within which the board forms their decisions and build their businesses. The entire board should be focusing on creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows issuers to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The ESG Reporting Guide set out in Appendix 20 to the GEM Listing Rules provides a framework for issuers to, among other things, identify and consider what environmental risks and social risks may be material to them. The board should be responsible for effective governance and oversight of it, as well as assessment and management of material environmental and social risks. Issuers are required to disclose environmental and social matters in ESG reports in accordance with the ESG Reporting Guide.

## **CORPORATE GOVERNANCE REPORT**

### **PART 1 - MANDATORY DISCLOSURE REQUIREMENTS**

To provide transparency, ~~the~~ issuers must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible: Failure to do so will be regarded as a breach of the GEM Listing Rules.

#### **A. CORPORATE GOVERNANCE PRACTICES**

- (a) A narrative statement explaining how the issuer has applied the Principles in the Code, enabling its shareholders to evaluate how the principles have been applied to enable shareholders' evaluation of such application;
- (b) a statement as to whether the issuer has complied with ~~meets~~ the code provisions. ~~If an issuer has adopted its own code that exceeds the code provisions, it may draw attention to this fact in its annual report; and~~
- (c) for any deviation from the code provisions (including adoption of any alternatives other than the code provisions), details of the deviation during the financial year ~~(including considered reasons)~~ (the Considered Reasons and Explanation).

#### **B. BOARD OF DIRECTORS**

- (a) Composition of the board, by category of directors, including name of chairman, executive directors, non-executive directors and independent non-executive directors;
- (b) number of board meetings held during the financial year;
- (c) attendance of each director, by name, at the board and general meetings;

*Notes: 1 Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, attendance by a director at a meeting by electronic means such as telephonic or video-conferencing may be counted as physical attendance.*

*2 If a director is appointed part way during a financial year, the ~~his~~ attendance of such director should be stated by reference to the number of board meetings held during the director's ~~his~~ tenure.*

- (d) for each named director, the number of board or committee meetings ~~he~~ attended by the director, and, separately the number of board or committee meetings attended by ~~his~~ the alternate of the director. Attendance at board or committee meetings by an alternate director should not be counted as attendance by the director ~~himself~~;
- (e) a statement of the respective responsibilities, accountabilities and contributions

of the board and management. In particular, a statement of how the board operates, including a high level statement on the types of decisions taken by the board and those delegated to management;

- (f) details of non-compliance (if any) with rules 5.05(1) and (2), and 5.05A and an explanation of the remedial steps taken to address non-compliance. This should cover non-compliance with appointment of a sufficient number of independent non-executive directors and appointment of an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise;
- (g) reasons why the issuer considers an independent non-executive director to be independent where such director ~~he/she~~ fails to meet one or more of the guidelines for assessing independence set out in rule 5.09;
- (h) relationship (including financial, business, family or other material/relevant relationship(s)), if any, between board members and in particular, between the chairman and the chief executive; and
- (i) how each director, by name, complied with ~~A.6.5~~ code provision C.1.4.

#### **C. CHAIRMAN AND CHIEF EXECUTIVE**

- ~~(a) — The identity of the chairman and chief executive; and~~
- ~~(b) — whether the roles of the chairman and chief executive are separate and exercised by different individuals.~~

#### **D. NON-EXECUTIVE DIRECTORS**

The term of appointment of non-executive directors.

#### **E. BOARD COMMITTEES**

The following information for each of the audit committee, remuneration committee, nomination committee, ~~audit committee~~, risk committee (if any), and corporate governance functions:

- (a) the role and function of the committee;
- (b) the composition of the committee and whether it comprises independent non-executive directors, non-executive directors and executive directors (including their names and identifying the chairman of the committee);
- (c) the number of meetings held by the committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and
- (d) a summary of the work during the year, including:

- (i) for the audit committee, a report on how it met its responsibilities in its review of the quarterly, half-yearly and annual results, and unless expressly addressed by a separate risk committee, or the board itself, its review of the risk management and internal control systems, the effectiveness of the issuer's internal audit function, and its other duties under the Corporate Governance Code. Details of non-compliance with rule 5.28 (if any) and an explanation of the remedial steps taken by the issuer to address non-compliance with establishment of an audit committee; ~~and~~
- (ii) for the remuneration committee, determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee. Disclose which of the two models of remuneration committee described in ~~B.1.2(e)~~ code provision E.1.2(c) was adopted;
- (iii) for the nomination committee, disclosing the policy for the nomination of directors, ~~performed by the nomination committee or the board of directors (if there is no nomination committee)~~ during the year. This includes the nomination procedures and the process and criteria adopted by the nomination committee ~~or the board of directors (if there is no nomination committee)~~ to select and recommend candidates for directorship during the year. ~~This section should also include the board's policy or a summary of the policy on board diversity, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives;~~
- (iv) for the risk committee (if any), a report on how it met its responsibilities in its review of the risk management and internal control systems and the effectiveness of the issuer's internal audit function; and
- (v) for corporate governance, determining the policy for the corporate governance of the issuer, and duties performed by the board or the committee(s) under ~~D.3.1;~~ code provision A.2.1.

#### **F. COMPANY SECRETARY**

- (a) Where an issuer engages an external service provider as its company secretary, its primary corporate contact person at the issuer (including his/her such person's name and position); and
- (b) details of non-compliance with rule 5.15.

#### **G. DIRECTORS' SECURITIES TRANSACTIONS**

For the required standard of dealings set out in rules 5.48 to 5.67:

- (a) whether the issuer has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings;

- (b) having made specific enquiry of all directors, whether the directors of the issuer have complied with, or whether there has been any non-compliance with, the required standard of dealings and its code of conduct regarding directors' securities transactions; and
- (c) for any non-compliance with the required standard of dealings, if any, details of these and an explanation of the remedial steps taken by the issuer to address them.

## H. RISK MANAGEMENT AND INTERNAL CONTROL

~~Where a~~An issuer includes the board's statement who reports in the Corporate Governance Report that it has conducted a review of the effectiveness of its risk management and internal control systems in the annual report under code provision ~~C.2.1~~, it under code provision D.2.1 must disclose the following:

- (a) whether the issuer has an internal audit function;
- (b) how often the risk management and internal control systems are reviewed, and the period covered, ~~and where an issuer has not conducted a review during the year, an explanation why not;~~ and
- (c) ~~a statement that a review of the effectiveness of the~~ whether the issuer considers its risk management and internal control systems ~~has been conducted and whether the issuer considers them effective and adequate.~~

## I. AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

An analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the issuer. The analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

~~Note: The code provisions expect issuers to make certain specified disclosures in the Corporate Governance Report. Where issuers choose not to make the expected disclosure, they must give considered reasons for not doing so under paragraph G(c). For ease of reference, the specific disclosure expectations of the code provisions are:~~

- ~~1 directors' acknowledgement of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities (C.1. 3 of the Code);~~
- ~~2 report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the issuer's ability to continue as a going concern (C.1. 3 of the Code);~~

~~3 a statement that the board has conducted a review of the effectiveness of the internal control system of the issuer and its subsidiaries (C.2.1 of the Code); and~~

~~4 a statement from the audit committee explaining its recommendation and the reason(s) why the board has taken a different view from the audit committee on the selection, appointment, resignation or dismissal of external auditors (C.3.5 of the Code).~~

## **J. DIVERSITY**

- (a) The issuer's policy on board diversity or a summary of the policy, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives;
- (b) disclose and explain:
  - (i) how and when gender diversity will be achieved in respect of the board;
  - (ii) the numerical targets and timelines set for achieving gender diversity on its board; and
  - (iii) what measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity.
- (c) disclose and explain the gender ratio in the workforce (including senior management), any plans or measurable objectives the issuer has set for achieving gender diversity and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

*Note: In this Corporate Governance Code, "senior management" refers to the same persons referred to in the issuer's annual report and required to be disclosed under rule 18.39.*

## **K. SHAREHOLDERS' RIGHTS**

- (a) How shareholders can convene an extraordinary general meeting;
- (b) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and
- (c) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

## **L. INVESTOR RELATIONS**

- (a) Any significant changes in the issuer's constitutional documents during the year;
- (b) the issuer's shareholders' communication policy (or its summary), which should include channels for shareholders to communicate their views on various matters

affecting the issuer, as well as steps taken to solicit and understand the views of shareholders and stakeholders; and

- (c) a statement of the issuer's review of the implementation and effectiveness of the shareholders' communication policy conducted during the year (including how it arrives at the conclusion).

## **RECOMMENDED DISCLOSURES**

The disclosures set out in the following paragraphs on corporate governance matters are provided for issuers' reference. They are not intended to be exhaustive or mandatory. They are intended to show the areas which issuers may comment on in their Corporate Governance Report. The level of detail needed varies with the nature and complexity of issuers' business activities. Issuers are encouraged to include the following information in their Corporate Governance Report:

### **~~R. SHARE INTERESTS OF SENIOR MANAGEMENT~~**

~~The number of shares held by senior management (i.e. those individuals whose biographical details are disclosed in the annual report).~~

### **~~S. INVESTOR RELATIONS~~**

- ~~(a) Details of shareholders by type and aggregate shareholding;~~
- ~~(b) details of the last shareholders' meeting, including the time and venue, major items discussed and voting particulars;~~
- ~~(c) indication of important shareholders' dates in the coming financial year; and~~
- ~~(d) public float capitalisation at the year end.~~

### **~~T. MANAGEMENT FUNCTIONS~~**

~~The division of responsibility between the board and management.~~

~~*Note: Issuers may consider that some of the information recommended under paragraphs R to T is too lengthy and detailed to be included in the Corporate Governance Report. As an alternative to full disclosure in the Corporate Governance Report, issuers may choose to include some or all of this information:*~~

- ~~(a) on its website and highlight to investors where they can:~~
- ~~(i) access the soft copy by giving a hyperlink direct to the relevant webpage; and/or~~
- ~~(ii) collect a hard copy of the relevant information free of charge; or~~
- ~~(b) where the information is publicly available, by stating where the information~~

~~can be found. Any hyperlink should be direct to the relevant webpage.~~

## **PART 2 - PRINCIPLES OF GOOD CORPORATE GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES**

### **A. DIRECTORS CORPORATE PURPOSE, STRATEGY AND GOVERNANCE**

#### **A.1 The Board Corporate strategy, business model and culture**

##### **Principle**

An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

~~The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.~~

##### **Code Provisions**

A.1.1 The board should establish the issuer's purpose, values and strategy, and satisfy itself that these and the issuer's culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

A.1.2 The directors should include ~~in the separate statement containing a~~ discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.

*Note: An issuer should have a corporate strategy and a long term business model. Long term financial performance as opposed to short term rewards should be a corporate governance objective. An issuer's board should not take undue risks to make short term gains at the expense of long term objectives.*

#### **A.2 Corporate Governance Functions**

##### **Principle**

The board is responsible for performing the corporate governance duties. It may delegate the responsibility to a committee or committees.

## Code Provisions

- A.2.1 The terms of reference of the board (or a committee or committees performing this function) should include at least:
- (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;
  - (b) to review and monitor the training and continuous professional development of directors and senior management;
  - (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
  - (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
  - (e) to review the issuer's compliance with the ~~Code~~ Corporate Governance Code and disclosure in the Corporate Governance Report.

~~D.3.2 The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.~~

## B. BOARD COMPOSITION AND NOMINATION

### B.1 Board composition, succession and evaluation

#### Principle

The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business, and should ensure that the directors devote sufficient time and make contributions to the issuer that are commensurate with their role and board responsibilities. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

#### Code Provisions

- B.1.1 The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.

- B.1.2 An issuer should maintain on its website and on the GEM website an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.
- B.1.3 The board should review the implementation and effectiveness of the issuer's policy on board diversity on an annual basis.
- B.1.4 An issuer should establish mechanism(s) to ensure independent views and input are available to the board and disclose such mechanism(s) in its Corporate Governance Report. The board should review the implementation and effectiveness of such mechanism(s) on an annual basis.

### **Recommended Best Practices**

- B.1.5 The board should conduct a regular evaluation of its performance.
- B.1.6 The board should state its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships or has significant links with other directors through involvements in other companies or bodies.

*Note: A cross-directorship exists when two (or more) directors sit on each other's boards.*

## **B.2 Appointments, re-election and removal**

### **Principle**

There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

### **Code Provisions**

- ~~A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.~~
- B.2.1 ~~Every d~~Directors should ensure that ~~hethey~~ can give sufficient time and attention to the issuer's affairs and should not accept the appointment if ~~hethey~~ cannot do so.
- B.2.2 ~~All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment.~~ Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

- B.2.3 ~~Serving more than 9 years could be relevant to the determination of a non-executive director's independence.~~ If an independent non-executive director has served serves more than 9 nine years, his such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should ~~include the reasons~~ state why the board (or the nomination committee) believes ~~that he~~ the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination.
- B.2.4 Where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should:
- (a) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and
  - (b) appoint a new independent non-executive director on the board at the forthcoming annual general meeting<sup>1</sup>.

### **B.3 Nomination Committee**

#### **Principle**

In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under A.3 and A.4 B.1 and B.2.

#### **Code Provisions**

- A.5.1 ~~Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.~~
- B.3.1 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties:-
- (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
  - (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the

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<sup>1</sup> The appointment of a new independent non-executive director requirement will come into effect for the financial year commencing on or after 1 January 2023.

selection of, individuals nominated for directorships;

- (c) assess the independence of independent non-executive directors; and
- (d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

B.3.2 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the GEM website and issuer's website.

B.3.3 Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.

B.3.4 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (a) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;
- (b) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board;
- (c) the perspectives, skills and experience that the individual can bring to the board; and
- (d) how the individual contributes to diversity of the board.

## **C. ~~DELEGATION BY THE BOARD~~ DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS**

### **C.1 Responsibilities of directors**

#### **Principle**

Every director must always know ~~his~~their responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

## Code Provisions

- C.1.1 ~~Every a~~Newly appointed directors of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently ~~he~~they should receive any briefing and professional development necessary, to ensure that ~~he~~they have a proper understanding of the issuer's operations and business and ~~is~~are fully aware of ~~his~~their responsibilities under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.
- C.1.2 The functions of non-executive directors should include:
- (a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
  - (b) taking the lead where potential conflicts of interests arise;
  - (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and
  - (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.
- C.1.3 The board should establish written guidelines no less exacting than ~~the Model Code~~the required standards of dealings (set out in rules 5.48 to 5.67) for relevant employees in respect of their dealings in the issuer's securities. "Relevant employee" includes any employee or a director or employee of a subsidiary or holding company who, because of ~~his~~such office or employment, is likely to possess inside information in relation to the issuer or its securities.
- C.1.4 All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.
- Note: Directors should provide a record of the training they received to the issuer.*
- C.1.5 ~~Each a~~Directors should disclose to the issuer at the time of ~~his~~their appointments, and in a timely manner for any changes, the number and nature of offices held in public companies or organisations and other

significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.

- C.1.6 Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Note: Non-executive directors' attendance at general meetings is important. An independent non-executive director is often the chairman or a member of board committees and as such, the individual should be accountable to shareholders by being available to respond to questions and enquiries in relation to their work. Without attending general meetings, the director will not be able to develop a balanced understanding of the views of shareholders.

- C.1.7 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.
- C.1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.

## **C.2 Chairman and Chief Executive**

### **Principle**

There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

### **Code Provisions**

- C.2.1 The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

- C.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.
- C.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.
- C.2.4 One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. ~~He~~The chairman should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.
- C.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.
- C.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.
- C.2.7 The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.
- C.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.
- C.2.9 The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

### **C.3 Management functions**

#### **Principle**

An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.

## Code Provisions

C.3.1 When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf.

*Note: The board should not delegate matters to a board committee, executive directors or management to an extent that would significantly hinder or reduce the ability of the board as a whole to perform its functions.*

C.3.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs.

~~D.1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management.~~

C.3.3 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

## C.4 Board Committees

### Principle

Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

### Code Provisions

C.4.1 Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.

C.4.2 The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

## C.5 Conduct of board proceedings and sSupply of and access to information

### Principle

The issuer should ensure directors can participate in board proceedings in a

meaningful and effective manner. Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

### **Code Provisions**

- C.5.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. So, a regular meeting does not include obtaining board consent through circulating written resolutions.
- C.5.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.
- C.5.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.
- C.5.4 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.
- C.5.5 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.
- C.5.6 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the issuer.
- C.5.7 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

*Note: Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, a director's*

*attendance by a director at a meeting by electronic means including such as telephonic or videoconferencing may be counted as physical attendance at a physical board meeting.*

- C.5.8 For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).
- C.5.9 Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfil ~~his~~their duties properly, ~~a~~directors may not, in all circumstances, be able to rely purely on information provided voluntarily by management and ~~he~~they may need to make further enquiries. Where any director requires more information than is volunteered by management, ~~he~~that director should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management.
- C.5.10 All directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors should receive a prompt and full response, if possible.

## **C.6 Company Secretary**

### **Principle**

The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

### **Code Provisions**

- C.6.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. Where an issuer engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the issuer whom the external provider can contact.
- C.6.2 The board should approve the selection, appointment or dismissal of the company secretary.

*Note: A board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution.*

C.6.3 The company secretary should report to the board chairman and/or the chief executive.

C.6.4 All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

## **D. ACCOUNTABILITY AND AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT**

### **D.1 Financial reporting**

#### **Principle**

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

#### **Code Provisions**

D.1.1 Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.

D.1.2 Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 5.01 and Chapter 17.

*Note: The information provided may include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements such as monthly management accounts and management updates. For budgets, any material variance between the projections and actual results should also be disclosed and explained.*

D.1.3 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to

assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the issuer may refer to other parts of the annual report. These references should be clear and unambiguous, and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.

- D.1.4 The board should present a balanced, clear and understandable assessment in annual and interim reports, and other financial disclosures required by the GEM Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.

## **D.2 Risk management and internal control**

### **Principle**

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting Guide in Appendix 20 to the GEM Listing Rules for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

### **Code Provisions**

- D.2.1 The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.
- D.2.2 The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, ~~and~~ financial reporting functions, as well as those relating to the issuer's ESG

performance and reporting.

D.2.3 The board's annual review should, in particular, consider:

- (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the issuer's ability to respond to changes in its business and the external environment;
- (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
- (c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the issuer and the effectiveness of risk management;
- (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and
- (e) the effectiveness of the issuer's processes for financial reporting and GEM Listing Rule compliance.

D.2.4 Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose:

- (a) the process used to identify, evaluate and manage significant risks;
- (b) the main features of the risk management and internal control systems;
- (c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;
- (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and
- (e) the procedures and internal controls for the handling and

dissemination of inside information.

- D.2.5 The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

*Notes:*

- 1 *An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the issuer's risk management and internal control systems.*
- 2 *A group with multiple listed issuers may share group resources to carry out the internal audit function for members of the group.*

- D.2.6 The issuer should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the audit committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the issuer.

- D.2.7 The issuer should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.

### **Recommended Best Practices**

- D.2.8 The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.
- D.2.9 The board may disclose in the Corporate Governance Report details of any significant areas of concern.

## **D.3 Audit Committee**

### **Principle**

The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the GEM Listing Rules should have clear terms of reference.

### **Code Provisions**

- D.3.1 Full minutes of audit committee meetings should be kept by a duly

appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.

D.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of the person ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is later.

D.3.3 The audit committee's terms of reference should include at least:-

*Relationship with the issuer's auditors*

- (a) to be primarily responsible for making recommendations to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of the issuer's financial information*

- (d) to monitor integrity of the issuer's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the board, the committee should focus particularly on:-

- (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
- (i) members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the issuer's auditors; and
  - (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

***Oversight of the issuer's financial reporting system, risk management and internal control systems***

- (f) to review the issuer's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the issuer's risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness;

- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the board on the matters in this code provision; and
- (n) to consider other topics, as defined by the board.

~~Notes: These are only intended to be suggestions on how compliance with this code provision may be achieved and do not form part of it.~~

~~1 The audit committee may wish to consider establishing the following procedure to review and monitor the independence of external auditors:-~~

~~(i) consider all relationships between the issuer and the audit firm (including non-audit services);~~

~~(ii) obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and~~

~~(iii) meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.~~

~~2 The audit committee may wish to consider agreeing with the board the issuer's policies on hiring employees or former employees of the external auditors and monitoring the application of these policies. The audit committee should then be in a position to consider whether there has been or appears to be any impairment of the auditor's judgement or independence for the audit.~~

~~3 The audit committee should ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external~~

~~auditor's independence or objectivity in relation to non-audit services, the audit committee may wish to consider:~~

- ~~(i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;~~
- ~~(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;~~
- ~~(iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and~~
- ~~(iv) criteria for compensation of the individuals performing the audit.~~

~~4 For further guidance, issuers may refer to the "Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence" issued by the Technical Committee of the International Organization of Securities Commissions in October 2002 and "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants in February 2002. Issuers may also adopt the terms of reference in those guides, or any other comparable terms of reference for establishing an audit committee.~~

- D.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the GEM website and the issuer's website.
- D.3.5 Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.
- D.3.6 The audit committee should be provided with sufficient resources to perform its duties.
- D.3.7 The terms of reference of the audit committee should also require it:
  - (a) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

- (b) to act as the key representative body for overseeing the issuer's relations with the external auditor.

### **Recommended Best Practice**

~~C.3.8 The audit committee should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the issuer.~~

## **E. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION**

### **E.1 The level and make-up of remuneration and disclosure**

#### **Principle**

An issuer should ~~disclose its~~ have a formal and transparent policy on directors' remuneration ~~policy~~ and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding ~~his~~ that director's own remuneration.

#### **Code Provisions**

E.1.1 The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary.

E.1.2 The remuneration committee's terms of reference should include, as a minimum:-

- (a) to make recommendations to the board on the issuer's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;
- (c) either:
  - (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior

management; or

- (ii) to make recommendations to the board on the remuneration packages of individual executive directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (d) to make recommendations to the board on the remuneration of non-executive directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no director or any of ~~his~~their associates is involved in deciding ~~his~~that director's own remuneration.

E.1.3 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the GEM website and the issuer's website.

E.1.4 The remuneration committee should be provided with sufficient resources to perform its duties.

E.1.5 Issuers should disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in their annual reports.

### **Recommended Best Practices**

E.1.6 If ~~B.1.2(c)(ii)~~E.1.2(c)(ii) is adopted, where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.

E.1.7 A significant proportion of executive directors' remuneration should link

rewards to corporate and individual performance.

E.1.8 Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.

E.1.9 Issuers generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

## F. ~~COMMUNICATION WITH SHAREHOLDERS~~ SHAREHOLDERS ENGAGEMENT

### F.1 Effective communication

#### Principle

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

#### Code Provisions

F.1.1 The issuer should have a policy on payment of dividends and should disclose it in the annual report.

#### Recommended Best Practices

F.1.2 Issuers are encouraged to include the following information in their Corporate Governance Report:

- (a) details of shareholders by type and aggregate shareholding;
- (b) indication of important shareholders' dates in the coming financial year;
- (c) the percentage of public float, based on information that is publicly available to the issuer and within the knowledge of its directors as at the latest practicable date prior to the issue of the annual report;  
and
- (d) the number of shares held by each of the senior management.

### F.2 ~~Voting by Poll~~ Shareholders meetings

#### Principle

The issuer should ensure that shareholders are given sufficient notice of

shareholders meetings and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

### Code Provisions

~~F.2.1 The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.~~

F.2.1 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, issuers should explain the reasons and material implications in the notice of meeting.

*Note: An example of a substantially separate issue is the nomination of persons as directors. Accordingly, each person should be nominated by means of a separate resolution.*

F.2.2 The chairman of the board should attend the annual general meeting. ~~The chairman of the board~~ He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, ~~the chairman~~ should invite another member of the committee or failing this ~~his~~ their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders’ approval. An issuer’s management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors’ report, the accounting policies and auditor independence.

*Note: Subject to the issuer’s constitutional documents, and the laws and regulations of its place of incorporation, attendance by the above persons at a meeting by electronic means such as telephonic or videoconferencing may be counted as physical attendance.*

F.2.3 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

## B. Amendments to Other GEM Rules

### Chapter 5

#### GENERAL

#### DIRECTORS, COMPANY SECRETARY, BOARD COMMITTEES, AUTHORISED REPRESENTATIVES AND CORPORATE GOVERNANCE MATTERS

##### Nomination Committee

5.36A An issuer must establish a nomination committee chaired by the chairman of the board or an independent non-executive director and comprising a majority of independent non-executive directors.

### Chapter 17

#### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

##### Meetings

...

##### *Meetings of holders of securities*

...

17.47 (5A) The issuer must state in the poll results announcement directors' attendance at the general meeting.

...

##### Environmental and Social Matters

17.103 (5) Where the ESG report does not form part of the issuer's annual report:

.....

(d) ~~The issuer shall publish is encouraged to publish the ESG report at the same time as the publication of the annual report. In any event, the issuer should publish the ESG report as close as possible to, and no later than five months after, the end of the financial year.~~

17.104 The nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. Board diversity differs according to the circumstances of each issuer. While diversity of board members can be achieved through consideration of a number of factors (including but not limited to gender, age, cultural and educational background, or professional experience), the Exchange will not consider diversity to be achieved for a single gender board.

*Note: As a transitional arrangement, issuers with a single gender board will have to appoint at least a director of a different gender on the board no later than 31 December 2024. Board diversity will differ according to the circumstances of each issuer. Diversity of board members can be achieved through consideration of a number of factors, including but not limited to gender, age,*

~~cultural and educational background, or professional experience. Each issuer should take into account its own business model and specific needs, and disclose the rationale for the factors it uses for this purpose.~~

## Appendix 6

### 附錄六

## DIRECTOR'S AND SUPERVISOR'S FORMS

### 董事及監事的表格

#### Form A

#### A表格

### Director's Declaration, Undertaking and Acknowledgement

#### 董事的聲明、承諾及確認

#### Part 1

#### 第一部分

### DECLARATION

#### 聲明

1. State:—

請填報:

in English

英文

in Chinese

中文

...

(i) sex (male / female /  
non-binary / others)

性別 (男 / 女 /

非二元性別 / 其他)

**Appendix 6**

**附錄六**

**DIRECTOR'S AND SUPERVISOR'S FORMS**

**董事及監事的表格**

**Form B**

**B表格**

**Director's Declaration, Undertaking and Acknowledgement (PRC Issuer)**

**董事的聲明、承諾及確認 (適用於中國發行人)**

**Part 1**

**第一部分**

**DECLARATION**

**聲明**

| 1. State:— | in English | in Chinese |
|------------|------------|------------|
| 請填報:       | 英文         | 中文         |

...

(i) sex (male / female /  
non-binary / others)

性別 (男 / 女 /

非二元性別 / 其他) .....

## Appendix 20

### Environmental, Social and Governance Reporting Guide

#### Part A: Introduction

##### The Guide

...

- (4) (2) Where the ESG report does not form part of the issuer's annual report:
- (d) The issuer ~~shall publish~~ is encouraged to publish the ESG report at the same time as the publication of the annual report. ~~In any event, the issuer should publish the ESG report as close as possible to, and no later than five months after, the end of the financial year.~~

## C. Consequential Amendments to GEM Rules

### Chapter 1

#### GENERAL

#### INTERPRETATION

1.01 ...

|  |   |
|--|---|
| "connected person"                                 | ...   |
| <b><u>"Considered Reasons and Explanation"</u></b> | <u>has the meaning defined in Appendix 15</u> |
| "controlling shareholder"                          | ...   |

### Chapter 17

#### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

#### Corporate Governance Code

17.101 (1) ~~The Corporate Governance Code in Appendix 15 sets out: (a) the mandatory requirements for disclosure in an issuer's Corporate Governance Report, and (b) the principles of good corporate governance and two levels of recommendations: (a), the code provisions on a "comply or explain" basis; and (b) certain recommended best practices. Issuers are expected to comply with, but may choose to deviate from, the code provisions. They are encouraged to adopt the recommended best practices as for guidance only on a voluntary basis.~~

~~*Note: Issuers may also devise their own code on corporate governance practices on such terms as they may consider appropriate.*~~

(2) Issuers must state whether they have complied with the code provisions set out in ~~the Corporate Governance Code~~ Part 2 of Appendix 15 for the relevant accounting period in their half-year reports (and summary half-year reports, if any) and annual reports (and summary financial reports, if any).

*Note: For the requirements governing preliminary results announcements, see rules 18.50 and 18.78.*

(3) ~~Where the issuer deviates from the code provisions, it must give considered reasons:~~ An issuer may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:

(a) ~~for annual reports (and summary financial reports), in the Corporate Governance Report under Appendix 15~~ in the annual reports (and summary financial reports, if any) the Considered Reasons and Explanation. The explanation should provide a clear rationale for the

alternative actions and steps taken by the issuer and their impacts and outcome; and

- (b) ~~for~~in the half-year reports (and summary half-year reports, if any), either:
- (i) ~~by giving considered reasons for each deviation,~~the Considered Reasons and Explanation in respect of the deviation; or
  - (ii) to the extent ~~that it is~~ reasonable and appropriate, by referring to the Corporate Governance Report in the ~~immediately~~ preceding annual report, and providing details of any changes ~~together with considered reasons~~ for any deviation not reported in that annual report with Considered Reasons and Explanation. The references must be clear and unambiguous, and the half-year report (or summary half-year report) must not contain only a cross-reference without any discussion of the matter.
- (4) For the recommended best practices, issuers are encouraged, ~~but are not required,~~ to state whether they have complied with them and give considered reasons for any deviation.

## Chapter 18

### EQUITY SECURITIES

#### FINANCIAL INFORMATION

##### Annual reports

###### *Distribution*

18.03 ...

Notes: ...

6 ...

- (b) ~~a statement as to whether it complies with the Corporate Governance Code provisions in Part 2 of Appendix 15 and, if not, the reason for~~Considered Reasons and Explanation in respect of the deviation;  
and

...

*Information to accompany directors' report and annual financial statements*

18.07 ...

Notes: ...

4 ...

- (j) ~~provision of information in respect of corporate governance code provisions~~ B.1.5E.1.5 (remuneration payable to members of senior

*management by band) and ~~C.1.4A.1.2~~ (discussion and analysis of group's performance) in Part 2 of Appendix 15 or ~~explain reason for~~ provide the Considered Reasons and Explanation in respect of any deviation.*

...  
18.44 ...

- (2) a separate Corporate Governance Report prepared by the board on its corporate governance practices. The report must, as a minimum, contain the information required under ~~paragraphs G to Q~~ Part 1 of Appendix 15 regarding the accounting period covered by the annual report. To the extent ~~that it is~~ reasonable and appropriate, the issuer may incorporate by reference information in its annual report into the Corporate Governance Report. ~~Any such~~ The references must be clear and unambiguous, and the Corporate Governance Report must not contain only a cross-reference without any discussion of the matter.

...

### **Preliminary announcement of results for the financial year**

#### *Content of preliminary announcement*

18.50 ...

- (6) a statement as to whether the listed issuer meets the code provisions set out in ~~the Corporate Governance Code contained in~~ Part 2 of Appendix 15. The listed issuer must also disclose any deviations from the code provisions ~~and considered reasons for such deviations~~ with Considered Reasons and Explanation. To the extent ~~that it is~~ reasonable and appropriate, such information may be given by reference to the ~~immediately~~ preceding half-year report or to the Corporate Governance Report in the ~~immediately~~ preceding annual report, and summarising any changes since that report. ~~Any such~~ The references must be clear and unambiguous;

...

### **Half-year reports**

#### *Obligation to prepare and publish*

18.53 ...

Notes: 1 ...

- (b) ~~a statement as to whether it complies with the Corporate Governance Code~~ code provisions in Part 2 of Appendix 15 and, if not, the reason for Considered Reasons and Explanation in respect of the deviation; and

...

## Content of half-year reports

18.55 ...

- (4) a statement in relation to the accounting period covered by the half-year report on whether the listed issuer meets the code provisions set out in ~~the Corporate Governance Code contained in Part 2 of~~ Appendix 15. ~~Where there are any deviations from the code provisions in the Code, the listed issuer must also give considered reasons for the deviations from the code provisions, either by:~~ An issuer may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:
- (a) ~~giving considered reasons for each deviation~~ the Considered Reasons and Explanation in respect of the deviation; or
- (b) to the extent ~~that it is~~ reasonable and appropriate, by referring to the Corporate Governance Report in the ~~immediately~~ preceding annual report, and providing details of any changes ~~together with considered reasons~~ for any deviation not reported in that annual report with Considered Reasons and Explanation. ~~Any such~~ The references must be clear and unambiguous, and the half-year report must not only contain a cross-reference without any discussion of the matter;

...

## Quarterly reports

### Obligation to prepare and publish

18.66 ...

Notes: 1 ...

- (b) ~~a statement as to whether it complies with the Corporate Governance Code code provisions in Part 2 of Appendix 15 and, if not, the reason for~~ Considered Reasons and Explanation in respect of the deviation; and

...

### Preliminary announcement of results for each of the first 6 month of each financial year

18.78 ...

- (4) a statement as to whether the listed issuer meets the code provisions set out in ~~the Corporate Governance Code contained in Part 2 of~~ Appendix 15. The listed issuer must also disclose any deviations from the code provisions ~~and considered reasons for such deviations~~ with Considered Reasons and Explanation. To the extent ~~that it is~~ reasonable and appropriate, such information may be given by reference to the Corporate Governance Report in the ~~immediately~~ preceding annual report, and summarising any changes since that annual report. ~~Any such~~ The references must be clear and unambiguous;

...

**Preliminary announcement of results for each of the first 3 and 9 month periods of each financial year**

*Summary financial reports*

18.81 ...

- (2) a separate Corporate Governance Report prepared by the board on its corporate governance practices. The report must, as a minimum, contain the information required under ~~paragraphs G to Q~~ Part 1 of Appendix 15 regarding the accounting period covered by the annual report. To the extent ~~that it is~~ reasonable and appropriate, this Corporate Governance Report may ~~take the form of~~ be a summary of the Corporate Governance Report contained in the annual report, and may also incorporate information by reference to its annual report. ~~Any such~~ The references must be clear and unambiguous, and the summary must not contain only a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the ~~Corporate Governance Code~~ code provisions in Part 2 of Appendix 15.

...

**Recommended additional disclosure**

18.83 ...

*Note: Issuers should also note the ~~recommended disclosures set out in paragraphs R to T~~ recommended best practices F.1.2 in Part 2 of Appendix 15.*

**Appendix 20**

**Environmental, Social and Governance Reporting Guide**

**Part A: Introduction**

**The Guide**

3. “Comply or explain” provisions are set out in Part C of this Guide. An issuer must report on the “comply or explain” provisions of this Guide. If the issuer does not report on one or more of these provisions, it must provide considered reasons in its ESG report. For guidance on the “comply or explain” approach, issuers may refer to the “What is “comply or explain”?” section of the Corporate Governance Code ~~and Corporate Governance Report (“Corporate Governance Code”)~~ in Appendix 15 of the GEM Listing Rules.

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## APPENDIX VI: HOUSEKEEPING RULE AMENDMENTS

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### A. Main Board Listing Rules

#### Chapter 1

#### GENERAL

#### INTERPRETATION

...

1.01 Throughout these Rules, the following terms, except where the context otherwise requires, have the following meanings:

...

**“Exchange’s website”** the official website of Hong Kong Exchanges and Clearing Limited and/or the website “HKExXnews” which is used for publishing issuers’ regulatory information

...

**“Listing Division”** the Listing ~~Department~~Division of the Exchange

...

**“notifiable transaction”** one of the transactions specified in rules 14.06, 14.06B or 14.06C

...

**“~~selectively marketed securities~~”** ~~debt securities marketed to or placed with any number of registered dealers or financial institutions either with a view to their reselling such securities as principals off-market, nearly all of which, because of their nature, will normally be purchased and traded by a limited number of investors who are particularly knowledgeable in investment matters or placing such securities with a limited number of such investors and “selective marketing” shall be construed accordingly~~

...

**“substantial shareholder”** 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

*Note: This definition is modified in the case of Chapter 14A by the provisions of rule 14A.29.*

...

## **Chapter 2B**

### **GENERAL**

#### **REVIEW PROCEDURE**

...

#### **Definitions and Interpretation**

2B.01A In this Chapter:

- (1) ...
- (2) **“Return Decision”** means the Listing Division’s decision to return a new applicant’s listing application and all related documents to its sponsor (except for the retention of a copy of these documents for the Exchange’s record) on the ground that the information in the listing application form, Application Proof, or any other related documents under rule 9.10A(1) is not substantially complete under rule 9.03(3). A Return Decision does not include a rejection decision under rule 2B.05(1).
- (3) **“Review Request”** means a written request by the relevant party for a review of the decision of the Listing Division, Listing Committee or the Listing Review Committee (as the case may be) under rules 2B.05, 2B.06, 2B.06A and 2B.16(7) which must be served on the Secretary of the Listing Committee or the Secretary of the Listing Review Committee (hereinafter referred to as the “Secretary”), as the case may be.

...

## Chapter 3

### GENERAL

#### AUTHORISED REPRESENTATIVES, DIRECTORS, BOARD COMMITTEES AND COMPANY SECRETARY

...

##### Company Secretary

3.28 The issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Exchange, capable of discharging the functions of company secretary.

*Notes:* 1 *The Exchange considers the following academic or professional qualifications to be acceptable:*

(a) *a Member of The Hong Kong ~~Institute of~~ Chartered Secretaries Governance Institute;*

...

## Chapter 8

### EQUITY SECURITIES

#### QUALIFICATIONS FOR LISTING

...

##### Deemed New Applicants

8.21C Without prejudice to the generality of other applicable provisions of the Exchange Listing Rules, a listed issuer that is treated as if it were a new applicant must meet all the basic conditions set out in this Chapter 8, unless otherwise waived by the Exchange. In the case of a reverse takeover, the acquisition targets (as defined in rule 14.04(2A)) and particular, where there are assets to be injected into or acquired by the listed issuer, the assets to be injected or acquired or the enlarged group must meet the requirements under rule 14.548.05, and the enlarged group must meet all the other basic conditions set out in this Chapter 8. In cases of doubt, issuers or advisers should consult the Exchange at an early stage.

...

## Chapter 10

### EQUITY SECURITIES

#### RESTRICTIONS ON PURCHASE AND SUBSCRIPTION

...

#### Restrictions and Notification Requirements on Issuers Purchasing their own Shares on a Stock Exchange

...

10.06 (1) (a) ...

(b) ...

(xi) a statement on the front page as follows:

“Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss ~~however~~howsoever arising from or in reliance upon the whole or any part of the contents of this document.”

...

## Chapter 13

### EQUITY SECURITIES

...

#### Suspension on Failure to Publish Timely Financial Information

13.50A

...

*Notes: (1) The Exchange will not normally suspend trading in an issuer's securities under this rule where the issuer publishes a preliminary results announcement for a financial year and the auditor has issued, or has indicated that it will issue, a disclaimer of opinion or an adverse opinion on the issuer's financial statements relating to the going concern issue only (and not any other issues). The preliminary results announcement must contain details of the audit modification, the facts and circumstances giving rise to the modification (including the different views of the issuer and its auditor), and the actions taken and/or to be taken by the issuer to address the modification.*

...

### Review of documents

13.52 Subject to rule 13.52A, where an issuer is obliged to publish any announcements, circulars or other documents for the purposes of the Exchange Listing Rules, the documents need not be submitted to the Exchange for review before they are issued unless the documents fall within rule 13.52(1) or (2).

- (1) ...
- (2) The following transitional provisions apply to announcements set out in this rule and shall cease to have effect on such date as the Exchange may determine and promulgate.

An issuer shall submit to the Exchange copies of drafts of the following announcements for review before they are issued:

- (a) announcement for any very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover under rules 14.34 and 14.35;

...

### Closure of books and record date

- 13.66
- (1) ...
  - (2) An issuer must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting, if the entitlements require the approval of shareholders in the general meeting or are contingent on a transaction that is subject to the approval of shareholders in the general meeting. ~~This rule shall not apply where the issuer announces the timetable of an entitlement on or before 19 June 2011.~~

...

## Chapter 14

### EQUITY SECURITIES

#### NOTIFIABLE TRANSACTIONS

...

##### *Aggregation of transactions*

...

14.23B For the purposes of aggregating transactions under ~~rule 14.06(6)(b)~~ note 2 to rule 14.06B and/or rule 14.22, a listed issuer must consult the Exchange before it enters into any proposed transaction(s) if

- (1) ...
- (2) the proposed transaction(s) and any other transaction(s) entered into by the listed issuer involve acquisitions of assets from a person or group of persons or any of his/their associates within ~~24~~36 months of such person or group of persons gaining control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries).

...

*Note: This rule serves to set out certain specific circumstances where the listed issuer must seek guidance from the Exchange before it enters into any proposed transaction(s). The Exchange may nevertheless aggregate transactions pursuant to rule 14.22 and/or note 2 to rule 14.06B ~~rule 14.06(6)(b)~~ where no prior consultation was made by the listed issuer under rule 14.23B.*

...

##### **Additional requirements for reverse takeovers**

...

14.55 A reverse takeover must be made conditional on approval by shareholders in general meeting. No written shareholders' approval will be accepted in lieu of holding a general meeting. The Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction. Furthermore, where there is a change in control of the listed issuer as referred to in rule ~~14.06(6)~~14.06B and any person or group of persons will cease to be a controlling shareholder (the "outgoing controlling shareholder") by virtue of a disposal of his shares to the person or group of persons gaining control (the "incoming controlling shareholder"), any of the incoming controlling shareholder's close associates or an independent third party, the outgoing controlling shareholder and his close associates may not vote in favour of any resolution approving an injection of assets by the incoming controlling shareholder or his close associates at the time of the change in control.

...

## Chapter 15

### EQUITY SECURITIES

#### OPTIONS, WARRANTS AND SIMILAR RIGHTS

...

15.02 All warrants must, prior to the issue or grant thereof, be approved by the Exchange and in addition, where they are warrants to subscribe equity securities, by the shareholders in general meeting (unless they are issued by the directors under the authority of a general mandate granted to them by shareholders in accordance with rule 13.36(2)). In the absence of exceptional circumstances which would include, by way of example, a rescue reorganisation, the Exchange will only grant approval to the issue or grant of warrants to subscribe securities if the following requirements are complied with:—

- (1) ...
- (2) such warrants must expire not less than one and not more than five years from the date of issue or grant and must not be convertible into further rights to subscribe for securities which expire less than one year or more than five years after the date of issue or grant of the original warrants.

...

## Chapter 15A

### STRUCTURED PRODUCTS

...

#### Continuing Obligations

...

15A.22 The Issuer shall be required to provide liquidity in each structured product issue and shall describe in the stand alone listing document or either of the base listing document or supplemental listing document how it proposes to provide that liquidity. The method adopted must be transparent and must be acceptable to the Exchange;

15A.23 Dealings by the issuer and any of its holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them:

...

must be reported to the Exchange at least one and half hours before trading commences on the Exchange on the day dealings in the structured product commence on the Exchange in a format suitable for publication on the

Exchange's ~~web site~~website and any other electronic news dissemination system operated by the Exchange from time to time;

15A.24 The previous day's dealings by the issuer and any of its holding companies, subsidiaries and fellow subsidiaries and any associated companies of any of them, as principal, in structured products that the issuer has listed on the Exchange must be reported to the Exchange at least one and a half hours before trading commences on the Exchange each day in a format suitable for publication on the Exchange's ~~web site~~website and any other electronic news dissemination system operated by the Exchange from time to time;

*Note: Transactions shall be included in the report in respect of the day they are entered into the Exchange's trading system.*

...

### **Application Procedures and Requirements**

...

15A.58 A formal announcement stating the information set out in rule 15A.59 must be published on the ~~web site of the Exchange's~~ website once the Exchange has confirmed it has no comments thereon as soon as possible after the structured products are launched and no later than the first business day following the day upon which the structured products are launched.

...

15A.63 The items referred to below must be lodged with the Exchange for review as soon as practicable after the structured product is launched to allow sufficient time for review and clearance by the Exchange before the proposed listing date:

- (1) ...
- (2) a completed checklist (obtainable from the Exchange) which specifies the information required by this Chapter and Part D of Appendix 1 regarding the issuer and the issue;

...

### **Expiry or Maturity of Structured Products**

15A.82 (1) Except as provided below an issuer shall, not less than 7 business days prior to the expiry or maturity date in relation to any of its structured products, publish on the ~~web site of the Exchange's~~ website a notice containing, inter alia, the following:-

- (a) ...

...

**Chapter 18**  
**EQUITY SECURITIES**  
**MINERAL COMPANIES**

...

**DEFINITIONS AND INTERPRETATION**

18.01 For the purposes of this Chapter unless otherwise stated or the context otherwise requires:—

(1) ...

(2) ...

(3) the following terms have the meanings set out below:—

...

**“Relevant Notifiable Transaction”**

a transaction that constitutes ~~falls into one of the classifications set out in rules 14.06(3) to (6) namely~~ a major transaction, very substantial disposal, very substantial acquisition, extreme transaction and reverse takeover.

...

## Chapter 19C

### EQUITY SECURITIES

#### SECONDARY LISTINGS OF QUALIFYING ISSUERS

...

##### Exceptions to the Rules for All Qualifying Issuers

- 19C.11 The following rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Exchange: 3.17; 3.21 to 3.23; 3.25 to 3.27A; 3.28; 3.29; 4.06; 4.07; Chapter 7; 8.09(4) (exception limited to issues outside the Exchange's markets); 8.18 (exception limited to issues outside the Exchange's markets); 9.11(10)(b); 10.05; 10.06(2)(a) to (c); 10.06(2)(e); 10.06(4); 10.06(5); 10.07(1); 10.07(2) to (4); 10.08; 13.11 to 13.22; 13.23(1); 13.23(2); 13.25A; 13.27; 13.28; 13.29; 13.31(1); 13.37; 13.38; 13.39(1) to (5A); 13.39(6) to (7) (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.40 to 13.42; 13.44 to 13.45; 13.47; 13.48(2); 13.49; 13.51(1); 13.51(2) (each new director or member of the Qualifying Issuer's governing body must sign and lodge with the Exchange, as soon as practicable, a declaration and undertaking in the form set out in Form B of Appendix 5); 13.51B; 13.51C; 13.52(1)(b) to (d); 13.52(1)(e)(i) to (ii); 13.52(1)(e)(iv) (exception limited to issues outside the Exchange's markets); 13.52(2); 13.67; 13.68; 13.74; 13.80 to 13.87 (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.88; 13.89; 13.91; Chapter 14; Chapter 14A; Chapter 15 (exception limited to issues outside the Exchange's markets); Chapter 16 (exception limited to issues outside the Exchange's markets); Chapter 17; 19.57; Practice Note 4 (exception limited to issues outside the Exchange's markets); Practice Note 15 paragraphs 1 to 3(b) and 3(d) to 5 (exception limited to circumstances where the spun-off assets or businesses are not to be listed on the Exchange's markets and the approval of shareholders of the parent is not required); Appendix 3 paragraphs 1, 2(1), 3, 4(1), 4(2), 4(4), 4(5), 5, 6, 7(1), 7(3), 8, 9, 10, 11, 13(1); Appendix 10; Appendix 14; ~~Appendix 15~~; Appendix 16; Appendix 21 (exception does not apply in circumstances where a spin-off proposal requires approval by shareholders of the parent); Appendix 22 (exception does not apply in circumstances where a spin-off proposal requires approval by shareholders of the parent) and Appendix 27.

...

## Chapter 37

### DEBT SECURITIES

#### DEBT ISSUES TO PROFESSIONAL INVESTORS ONLY

...

#### Continuing Obligations

...

37.47C An issuer must, as soon as reasonably practicable, apply for a trading halt or a trading suspension where there is:

- (a) information under rule 37.47 or rule 37.47A; or
- (b) inside information which must be disclosed under the Inside Information Provisions; or
- (c) inside information which is the subject matter of an application to the Commission for a waiver but its confidentiality has been lost,

and the information cannot be announced promptly.

...

37.52 An issuer must provide the Exchange with a copy of any circular that is sent to bondholders or to any trustee. If the circular is published on a website and the issuer notifies the Exchange when it is published on that site, it does not have to send it a printed copy.

...

## Appendix 1

### Contents of Listing Documents

#### Part B

#### Equity Securities

**In the case where listing is sought for equity securities of an issuer some part of whose share capital is already listed**

...

**Material contracts and documents on display**

...

43. Details of a reasonable period of time (being not less than 14 days) during which the following documents where applicable are published on the Exchange's website and the issuer's own website:—

...

- (6) [Repealed 4 October 2021]

~~(Note 2)~~

## NOTES

...

- Note 2 Under paragraphs 8, 24, 25, 26, 28, 29(1)(b), 30, 33, 38(2), 39, 40, and 42, ~~and~~ 43, reference to the group is to be construed as including any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.*

...

## Appendix 1

### Contents of Listing Documents

#### Part F

##### Depository receipts

**In the case where listing is sought for depository receipts of an issuer where depository receipts representing some part of its share capital are already listed**

...

##### Material contracts and documents on display

...

66. Details of a reasonable period of time (being not less than 14 days) during which the following documents where applicable are published on the Exchange's website and the issuer's own website:—

...

- (7) the deposit agreement executed between the depository and the issuer.

~~(Note 2)~~

## NOTES

...

Note 2 Under paragraphs 8, 20, 21, 22, 24, 25(1)(b), 26, 29, 34(2), 35, 36, and 65, ~~and 66~~ reference to the group is to be construed as including any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.

...

## Appendix 5

### Listing Application Form (For Collective Investment Schemes)

#### Form A2

...

#### CIS listing applicant and CIS Operator's Undertaking

We declare that:—

...

- (3) all information required to be included in the CIS Disclosure Document/listing document, where applicable, pursuant to Section 104 of the Securities and Futures Ordinance and the applicable codes enacted under the Ordinance, and by the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules ("Rules") and any other applicable legislation has been included therein or, if the final version has not yet been submitted (or reviewed), will be included therein before it is so submitted; and

...

#### CIS listing applicant and CIS Operator's authorisation for filing with the SFC

We are required to file copies of our application with the SFC under section 5(1) of the ~~Securities and Futures (Stock Market Listing) Rules~~ ("Rules"). Pursuant to section 5(2) of the Rules, we hereby authorise the Exchange to file all such materials with the SFC on our behalf as and when we file them with the Exchange.

...

#### NOTES

...

Note 2: All applicants should note that:—

...

- (5) the submission of a listing application form shall be deemed to confer authority upon the Exchange to notify to:—

- (a) any subsequent applicants whose proposed timetable coincides or overlaps with the applicant's, the estimated size of the applicant's issue and the current date on which it is proposed that the application lists will close; and
- (b) ...

...

## **Appendix 11**

### **Form D**

#### **MODEL FORM OF FORMAL NOTICE FOR DEBT ISSUES TO PROFESSIONAL INVESTORS ONLY**

...

[Sponsor]

[ ]

Lead Manager[s]

...

## **Appendix 13**

### **Part D**

#### **THE PEOPLE'S REPUBLIC OF CHINA**

...

### **Section 1**

#### **ADDITIONAL REQUIREMENTS FOR THE ARTICLES OF ASSOCIATION OF ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA**

In addition to the provisions of Appendix 3 (see also rules 19A.46 to 19A.49), the articles of association of issuers incorporated in the People's Republic of China whose primary listing is or is to be on the Exchange (see rules 19A.01 to 19A.03) must include:—

...

- (e) in addition to article 148 of the Mandatory Provisions, provisions that set out the procedures for the change, removal and resignation of auditors and must include provisions to the following effect:—

- (i) ...

...

- (iii) Where a notice is deposited under [article corresponding to 1(e)(ii)], the issuer shall within 14 days send a copy of the notice to the competent authority. If the notice contained a statement under [article corresponding to 1(e)(ii)(B)], a copy of the notice shall also be sent to every person entitled to obtain a copy of the issuer's financial statements.

...

## **Appendix 24**

### **Headline Categories**

...

#### **Schedule 5**

##### **Headline Categories for Debt and Structured Products**

###### **Callable Bull / Bear Contracts (CBBC)**

Additional information — Exotic CBBC  
Adjustment to Terms and Conditions — CBBC  
Adjustment to Terms and Conditions (Announcement Form) — CBBC  
Base Listing Document — CBBC  
Daily Trading Report — CBBC  
Expiry Announcement — CBBC  
Inside Information — CBBC  
Launch Announcement — CBBC  
Liquidity Provision Service — CBBC  
Market Disruption Event — CBBC  
Other — CBBC  
Pre-Listing Trading Report — CBBC  
Residual Value (Announcement Form) — CBBC  
Resumption — CBBC  
Supplemental Listing Document — CBBC  
Suspension — CBBC  
Trading Halt — CBBC  
Withdrawal of Listing — CBBC  
Withdrawal of Listing (Announcement Form) — CBBC

###### **Derivative Warrants (DW)**

Additional Information — Exotic DW  
Adjustment to Terms and Conditions — DW  
Adjustment to Terms and Conditions (Announcement Form) — DW  
Base Listing Document — DW  
Daily Trading Report — DW  
Expiry Announcement — DW  
Inside Information — DW  
Launch Announcement — DW  
Liquidity Provision Service — DW

Market Disruption Event — DW  
Other — DW  
Pre-Listing Trading Report — DW  
Resumption — DW  
Supplemental Listing Document — DW  
Suspension — DW  
Trading Halt — DW  
Withdrawal of Listing — DW  
Withdrawal of Listing (Announcement Form) — DW

...

**B. Main Board Listing Rules (amendments to Chinese version only)**

**第二 A 章**

**總則**

**上市委員會、上市覆核委員會及上市科的組織、  
職權、職務及議事程序**

...

**上市覆核委員會的組成**

...

2A.37B 上市覆核委員會將包括：

- (1) 最少六名為上市提名委員會認為能夠代表投資者權益的人士；及
- (2) ...

...

**第十二章**

**股本證券**

...

**發行後**

...

12.10 如屬供股，必須盡速（無論如何不得遲於寄發配額通知書或其他有關所有權文件日期後第發行以後一個營業日的早市或任何開市前時段開始交易（以較早者為準）之前至少30分鐘）按照《上市規則》第2.07C條的規定刊登有關供股結果及接納額外申請的基準的公告。

...

**附錄一**  
**上市文件的內容**  
**C部**  
**債務證券**  
**適用於債務證券尋求上市**

...

有關集團的財政資料及前景

...

42. (1) ...
- (2) 一項關於申報會計師作出的會計師報告是否附有非無保留意見的董事聲明。如附有非無保留意見，則該項非無保留意見必須全文轉載，並說明作出該項非無保留意見的原因。

...

**附錄二十四**

**標題類別**

...

**附表 2**

**通函的標題類別**

...

**證券/股本**

資本化發行

更改證券條款或隨附於證券的權利

根據《公司股份回購守則》刊發的文件

交換證券或取代原證券

回購股份的說明函件

一般性授權

發行可轉換證券

發行債務證券

發行優先股

主要附屬公司發行股份證券

於上市後六個月內發行證券

發行股份

發行權證

公開招股  
供股  
股份期權計劃

...

C. GEM Listing Rules

**Chapter 1**

**GENERAL**

**INTERPRETATION**

1.01 Throughout these Rules, the following terms, except where the context otherwise requires, have the following meanings:

...

**“formal notice”** a formal notice required to be published under rules 16.07, 16.08, 29.18, 29.19 or 30.372

...

**“Listing Division”** the Listing ~~Department~~Division of the Exchange

...

**“notifiable transaction”** any of the transactions specified in rules 19.06, 19.06B or 19.06C

...

**“~~selectively marketed securities~~”** ~~debt securities marketed to or placed with any number of registered dealers or financial institutions either with a view to their reselling such securities as principals off market, nearly all of which, because of their nature, will normally be purchased and traded by a limited number of investors who are particularly knowledgeable in investment matters or placing such securities with a limited number of such investors and "selective marketing" shall be construed accordingly~~

...

**Chapter 3**

**GENERAL**

**COMPOSITION, POWERS, FUNCTIONS AND PROCEDURES OF  
THE GEM LISTING COMMITTEE,  
THE GEM LISTING REVIEW COMMITTEE AND THE LISTING DIVISION**

**General**

3.01 The Board has arranged for all of its powers and functions in respect of all listing matters in relation to GEM to be discharged by the GEM Listing Committee and/or its delegates, subject to the review procedures set out in this Chapter and Chapter 4. Any function which under the GEM Listing Rules may be performed by the

Exchange or any power which under the GEM Listing Rules may be exercised by the Exchange may, therefore, be performed or exercised by the GEM Listing Committee and/or its delegates. Accordingly, the GEM Listing Committee and, in relation to certain powers of review, the GEM Listing Review Committee ~~have~~has sole power and authority to act in relation to all listing matters to the exclusion of the Board unless and until the Board revokes these arrangements.

...

## **Chapter 4**

### **GENERAL**

#### **REVIEW PROCEDURE**

...

##### **Definitions and Interpretation**

...

- 4.04 (1) Notwithstanding rule 4.03 and provisions set out in Form 5A, a listed issuer or new applicant shall submit to the GEM Listing Committee information for an application for listing pursuant to each Form 5A no more than 2two times, subject always to:—

(a) ...

...

##### **Conduct of review hearing**

- 4.11 (1) ...
- (2) The quorum necessary for the transaction of any business by the GEM Listing Committee or the GEM Listing Review Committee shall be 5five members present in person.

...

## Chapter 5

### GENERAL

#### DIRECTORS, COMPANY SECRETARY, BOARD COMMITTEES, AUTHORISED REPRESENTATIVES AND CORPORATE GOVERNANCE MATTERS

...

#### Company Secretary

...

- 5.14 The issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Exchange, capable of discharging the functions of company secretary.

*Notes:* 1 *The Exchange considers the following academic or professional qualifications to be acceptable:*

- (a) *a Member of The Hong Kong ~~Institute of~~ Chartered ~~Secretaries~~ Governance Institute;*

...

## Chapter 8

### VALUATION OF AND INFORMATION ON PROPERTIES

...

#### Valuations of properties situated outside Hong Kong

...

#### *Notifiable transactions*

- 8.27 Where in any transaction which falls within rules 19.06, 19.06B or 19.06C, the relevant party intends to contribute capital or to contribute to or become liable for all or part of the cost of development of any property project or development, or to any company or venture involved in any development project, then the Exchange:

- (1) ...

...

- (3) may consider taking account of such capital or cost contributions when considering whether the transaction falls within any of the categories of notifiable transactions referred to in rules 19.06, 19.06B or 19.06C.

...

## Chapter 17

### EQUITY SECURITIES

...

#### General matters relevant to the issuer's securities

...

*No further issues of securities within 6 months of listing*

17.29 ...

(5) ...

- (a) the issue is for the purpose of an acquisition of assets which would complement the listed issuer's business described in the listed issuer's initial listing document, and the acquisition does not constitute a major transaction, very substantial acquisition, or reverse takeover or extreme transaction pursuant to rules 19.06(3), 19.06(5), 19.06B and 19.06C(5) and (6) respectively;

...

#### Meetings

...

*Suspension on Failure to Publish Timely Financial Information*

17.49B ...

*Notes: (1) The Exchange will not normally suspend trading in an issuer's securities under this rule where the issuer publishes a preliminary results announcement for a financial year and the auditor has issued, or has indicated that it will issue, a disclaimer of opinion or an adverse opinion on the issuer's financial statements relating to the going concern issue only (and not any other issues). The preliminary results announcement must contain details of the audit modification, the facts and circumstances giving rise to the modification (including the different views of the issuer and its auditor), and the actions taken and/or to be taken by the issuer to address the modification.*

...

#### Announcements, circulars and other documents

*Review of documents*

17.53 Subject to rule 17.53A, where an issuer is obliged to publish any announcements, circulars or other documents for the purposes of the GEM Listing Rules, the documents need not be submitted to the Exchange for review before they are issued unless the documents fall within rule 17.53(1) or (2).

- (1) ...
- (2) The following transitional provisions apply to announcements set out in this rule and shall cease to have effect on such date as the Exchange may determine and promulgate.

An issuer shall submit to the Exchange drafts of the following announcements for review before they are issued:

- (a) announcement for any very substantial disposal, very substantial acquisition, extreme transaction or reverse takeover under rules 19.34 and 19.35;

...

### **Trading and Settlement**

...

#### *Closure of books and record date*

- 17.78
- (1) ...
  - (2) An issuer must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting, if the entitlements require the approval of shareholders in the general meeting or are contingent on a transaction that is subject to the approval of shareholders in the general meeting. ~~This rule shall not apply where the issuer announces the timetable of an entitlement on or before 19 June 2011.~~

...

## Chapter 18A

### EQUITY SECURITIES

#### MINERAL COMPANIES

...

#### DEFINITIONS AND INTERPRETATION

18A.01 For the purposes of this Chapter unless otherwise stated or the context otherwise requires:—

(1) ...

...

(3) the following terms have the meanings set out below:—

...

**“Relevant Notifiable Transaction”**

a transaction that ~~constitutes falls into one of the classifications set out in rules 19.06(3) to (6),~~ namely a major transaction, very substantial disposal, very substantial acquisition, extreme transaction and reverse takeover.

...

## Chapter 19

### EQUITY SECURITIES

#### NOTIFIABLE TRANSACTIONS

...

#### Provisions to deter circumvention of new listing requirements

...

19.23B For the purposes of aggregating transactions under note 2 to rule 19.06B~~rule 19.06(6)(b)~~ and/or rule 19.22, a listed issuer must consult the Exchange before it enters into any proposed transaction(s) if

(1) ...

(2) the proposed transaction(s) and any other transaction(s) entered into by the listed issuer involve acquisitions of assets from a person or group of persons or any of his/their associates within ~~24~~36 months of such person

or group of persons gaining control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries).

...

*Note: This rule serves to set out certain specific circumstances where the listed issuer must seek guidance from the Exchange before it enters into any proposed transaction(s). The Exchange may nevertheless aggregate transactions pursuant to rule 19.22 and/or note 2 to rule 19.06B~~rule 19.06(6)(b)~~ where no prior consultation was made by the listed issuer under rule 19.23B.*

...

### **Additional requirements for reverse takeovers**

...

19.55 A reverse takeover must be made conditional on approval by shareholders in general meeting. No written shareholders' approval will be accepted in lieu of holding a general meeting. The Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction. Furthermore, where there is a change in control of the listed issuer as referred to in rule ~~19.06(6)~~19.06B and any person or group of persons will cease to be a controlling shareholder (the "outgoing controlling shareholder") by virtue of a disposal of his shares to the person or group of persons gaining control (the "incoming controlling shareholder"), any of the incoming controlling shareholder's close associates or an independent third party, the outgoing controlling shareholder and his close associates may not vote in favour of any resolution approving an injection of assets by the incoming controlling shareholder or his close associates at the time of the change in control.

...

## Chapter 30

### DEBT SECURITIES

#### DEBT ISSUES TO PROFESSIONAL INVESTORS ONLY

...

#### Continuing Obligations

...

30.40C An issuer must, as soon as reasonably practicable, apply for a trading halt or a trading suspension where there is:

- (a) information under rule 30.40 or rule 30.40A; or
- (b) inside information which must be disclosed under the Inside Information Provisions; or
- (c) inside information which is the subject matter of an application to the Commission for a waiver but its confidentiality has been lost,

and the information cannot be announced promptly.

...

30.45 An issuer must provide the Exchange with a copy of any circular that is sent to bondholders or to any trustee. If the circular is published on a website and the issuer notifies the Exchange when it is published on that site, it does not have to send it a printed copy.

...

## Appendix 1

### Contents of Listing Documents

#### Part B

#### Equity Securities

**In the case where listing is sought for equity securities of an issuer some part of whose share capital is already listed**

...

#### Material contracts and documents on display

...

42. Details of a reasonable period of time (being not less than 14 days) during which following documents where applicable are published on the Exchange's website and the issuer's own website:—

...

(6) [Repealed 4 October 2021]

~~(Note 2)~~

...

## NOTES

...

- 2 *Under paragraphs 8, 24, 25, 26, 28, 29(1)(b), 30, 33, 38(2), 39, 40, and 41 ~~and~~ 42, reference to the group is to be construed as including any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.*

...

## Appendix 5

### FORMS RELATING TO LISTING

#### FORM C

...

#### NOTES

(1) ...

- (2) *Please refer to rules 6A.34, and 27.04 ~~and 30.08~~ of the GEM Listing Rules for guidance. In circumstances where the Issuer proposes to issue a listing document of the type referred to in rule 6A.36 within the minimum period referred to in rule 6A.19 or any period fixed for the purposes of rule 6A.20 the Sponsor or adviser of the Issuer or the Issuer's holding company shall be responsible for dealing with the Exchange.*

...

## Appendix 10

### MODEL FORMS OF FORMAL NOTICE

#### Form D

#### FOR DEBT ISSUES TO PROFESSIONAL INVESTORS ONLY

...

[Sponsor]

[ ]

Lead Manager[s]

...

D. **GEM Listing Rules (amendments to Chinese version only)**

**第三章**

**總則**

**GEM上市委員會、GEM上市覆核委員會及上市科的組織、  
職權、職務及議事程序**

**總則**

...

- 3.03 在執行其個別的職務及職權時，GEM上市覆核委員會、GEM上市委員會、上市科及行政總裁 必須實施《GEM上市規則》，不然則以符合市場整體公眾人士最佳利益的方式行事。

...

**GEM上市覆核委員會的組成**

...

- 3.38B GEM上市覆核委員將包括：

- (1) 最少六名為上市提名委員會認為能夠代表投資者權益的人士；及
- (2) ...

...

**附錄一**

**上市文件的內容**

**C部**

**債務證券**

**適用於債務證券尋求上市**

...

**有關集團的財政資料及前景**

...

42. (1) ...
- (2) 一項關於申報會計師作出的會計師報告是否附有非無保留意見的董事聲明。如附有非無保留意見，則必須全文轉載，並說明作出該項非無保留意見的原因。

...

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