

Frequently Asked Questions Series 17 (Released on 19 December 2011 / Last Updated on 28 December 2018)

Review of the Corporate Governance Code and Related Listing Rules

Status of “Frequently Asked Questions”

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

Users of the FAQs should refer to the Rules themselves and, if necessary, seek qualified professional advice. The FAQs are not substitutes for the Rules. If there is any discrepancy between the FAQs and the Rules, the Rules prevail. Defined terms used herein have the same meaning as ascribed to them in the relevant Rules and guidance.

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

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

No.	Main Board Rules	GEM Rules	Question	Response
	<u>Implementation dates</u>			
1.	(FAQ withdrawn on 1 April 2015)			
2.	(FAQ withdrawn on 28 December 2018)			
3.	(FAQ withdrawn on 1 April 2015)			
4.	(FAQ withdrawn on 1 April 2015)			
5.	(FAQ withdrawn on 1 April 2015)			
6.	(FAQ withdrawn on 1 April 2015)			
7.	(FAQ withdrawn on 1 April 2015)			
<u>Chief Executive</u>				
8.	1.01	1.01	Does “chief executive” in these Rules mean “chief	The definition of chief executive is set out in the Rules: “a person who either alone or together

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			executive officer”? Or does it also refer to chief financial officer, chief operations officer, etc.?	with one or more other persons is or will be responsible under the immediate authority of the board of directors for the conduct of the business of a listed issuer”.
<u>Authorised Representatives</u>				
9.	3.06	5.25	Authorised Representatives will be required to provide their email addresses to the Exchange. Is this requirement applicable to existing Authorised Representatives?	Yes, it does apply to existing Authorised Representatives. <i>(Previously published in FAQ Series 17 No.9)</i>
<u>Directors’ duties</u>				
10.	Note to Rule 3.08	Note to Rule 5.01	If issuers do not follow the guides named in the Note (“A Guide on Directors’ Duties” issued by the Companies Registry, and the Guidelines for Directors and Guide for Independent Non-executive Directors published by the Hong Kong Institute of Directors), do they breach the Listing Rules?	No. These guides are suggested as resources for directors looking for further guidance on their duties and responsibilities to an issuer.
10A.	-	-	The Guidance for Boards and Directors (Guidance) published by the Exchange in July 2018 provides the best practice guidance for the delivery of good	No. The Guidance aims to provide practical advice to boards and directors, and in some cases, set out the expectations placed on directors. However, the Guidance does not form a part of the Listing Rules, nor do they amend or vary any Rule requirements, or absolve

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			corporate governance, if issuers do not follow the Guidance, do they breach the Listing Rules?	issuers and/or their directors of any obligations to make their own judgment. <i>(Added on 28 December 2018)</i>
10B.	3.10(2)	5.05(2)	Clarify the requirement of “appropriate professional qualifications”. Clarify the requirement of “appropriate accounting and related financial management expertise”.	For the requirement of “appropriate professional qualifications”, we normally refer to professional accounting qualifications. For a candidate with other professional qualifications, we have set out our expectations in the note to Main Board Rule 3.10(2)/ GEM Rule 5.05(2). Issuers should also consider whether based on the experience and expertise of the candidate, the individual can fulfil the requirement under Main Board Rule 3.10(2)/ GEM Rule 5.05(2). <i>(Updated on 28 December 2018)</i> <i>(Previously published in FAQ Series 1 No.2)</i>
10C.	3.10(2)	5.05(2)	Is a professional qualification obtained from an overseas jurisdiction acceptable, such as a PRC or Singapore qualified accountant?	Yes, a professional qualification obtained from a recognised body in an overseas jurisdiction would be acceptable. <i>(Previously published in FAQ Series 1 No.3)</i>
10D.	3.10(2)	5.05(2)	Can a solicitor be said to have appropriate professional qualifications, or does the individual need to have the appropriate experience?	A legal qualification is not considered to be an appropriate professional qualification even if the person has obtained some accounting knowledge in the course of their studies. A person with a legal qualification is acceptable if the person has the “appropriate accounting and

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				<p>related financial management expertise” required under the Rules. The Exchange may question the factors the board has considered when making the decision to accept a person.</p> <p><i>(Previously published in FAQ Series 1 No.4)</i></p> <p><i>(Updated on 28 December 2018)</i></p>
10E.	3.10(2)	5.05(2)	<p>Can a person who has served on the audit committee of an issuer for a number of years be considered to have the appropriate accounting and related financial management expertise required under the rules?</p>	<p>Please refer to the note to Main Board Rule 3.10(2)/ GEM Rule 5.05(2) as to what the appropriate expertise means. Prima facie, we would not consider a person whose only experience has been a member of an audit committee to fulfil the criteria set out in the note to the Rule.</p> <p><i>(Previously published in FAQ Series 1 No.5)</i></p> <p><i>(Updated on 28 December 2018)</i></p>
10F.	3.10(2)	5.05(2)	<p>Is experience with a non-public company acceptable as having the appropriate accounting and related financial management expertise?</p>	<p>Generally no, but the Exchange recognises that experience and scope of duties of a candidate may demonstrate that the individual is capable of discharging the role required of such person as set out in Main Board Rule 3.10(2)/ GEM Rule 5.05(2). It is up to the board to evaluate the totality of the individual’s experience and education to consider if the individual is acceptable.</p> <p><i>(Previously published in FAQ Series 1 No.6)</i></p> <p><i>(Updated on 28 December 2018)</i></p>

No.	Main Board Rules	GEM Rules	Question	Response
11.	3.08	5.01	How does the board assess if the commitment of an independent non-executive directors (INEDs) or non-executive directors (NEDs) to the issuer's affairs is sufficient (especially for smaller issuers that have infrequent changes to their business or group structure) when normally they are not required to be involved in the management of the issuer?	<p>The Code recognises that different directors have different roles and functions within the issuer. The time commitment required from a director varies from issuer to issuer and from year to year, depending on the issuer's operations. A NED's time commitment to the issuer is likely to be less than an ED's because a NED is not involved in the day-to-day running of the business. According to the Code, the issuer should determine how much time it needs from each of its directors and review whether the director is meeting that requirement.</p> <p>You may refer to the Guidance for Boards and Directors (see Question 10A) and Directors' E-Training webcast entitled "INEDs' Role in Corporate Governance" (see Question 13C).</p> <p><i>(Updated on 28 December 2018)</i></p>
11A.	3.13	5.09	If an existing NED meets the independence requirements, can the NED be re-designated as an INED? Does an announcement need to be made for the re-designation?	<p>Yes, an existing NED may be re-designated as an INED, but we will consider the individual's present or past relationship with a connected person or the issuer on a case-by-case basis. Where, in order to meet the Rule requirements, a director needs to comply with any relevant cooling off period under the Rules, the relevant cooling off period needs to have ended by the date on which the individual confirmation of independence is given.</p> <p>An announcement will need to be made for the redesignation from being a NED to an INED</p>

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				<p>pursuant to Main Board Rule 13.51(2)/ GEM Rule 17.50(2).</p> <p><i>(Previously published in Series No. 1 No. 7)</i></p> <p><i>(Updated on 28 December 2018)</i></p>
11B.	3.13	5.09	<p>If a NED of an issuer is a legal adviser (say, a partner of a law firm) but for the past two years such director has not provided any services to the issuer, and also such director fulfils the other factors under the Main Board Rule 3.13/ GEM Rule 5.09, does this mean that such a NED can be an INED of the issuer?</p> <p>If the individual is accepted as an INED and in the future the individual provides services to the issuer again, will the individual continue to be considered independent?</p>	<p>Yes, the individual can act as an INED <u>provided</u> that the individual's firm is not providing or has not provided services to parties set out in Main Board Rule 3.13(3)/ GEM Rule 5.09(3) within two year before the individual's appointment as an INED.</p> <p>As soon as the firm (whether or not the individual is directly involved) provides any services to parties set out in Main Board Rule 3.13(3)/ GEM Rule 5.09(3), the individual will immediately cease to be considered independent.</p> <p><i>(Previously published in Series No. 1 No. 8)</i></p> <p><i>(Updated on 28 December 2018)</i></p>
11C.	3.13	5.09	<p>An existing INED is a partner of a law / Certified Public Accountant (CPA) firm and this firm is currently providing legal / accounting services to</p>	<p>The individual is not qualified to act as an INED and the issuer may or may not appoint a new INED depending on whether the issuer has sufficient INEDs on the board. However, the individual can still act as a NED. Materiality must be assessed from the issuer's as well as</p>

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			<p>parties set out in Main Board Rule 3.13(3)/ GEM Rule 5.09(3). Is this existing INED not qualified as “independent” and does the issuer need to appoint a new one? How is materiality of the interest determined when considering independence? Are there any specific definitions or figures (e.g. %) that can be used as reference?</p>	<p>the director’s perspective. There is no specific figure – materiality needs to be determined on a case-by-case basis.</p> <p><i>(Previously published in Series No. 1 No. 9)</i></p> <p><i>(Updated on 28 December 2018)</i></p>
11D.	3.13	5.09	<p>Once an INED has submitted to the Exchange the initial written confirmation concerning the INED’s independence comprising all the information required by Main Board Rule 3.13/ GEM Rule 5.09, what information must be included in the INED’s annual confirmation of independence required to be provided to the issuer?</p>	<p>Each INED is required to submit to the Exchange, at the same time as the submission of Form B/ H in Appendix 5 of the Main Board Rules or Form A/ B in Appendix 6 of the GEM Board Rules, a written confirmation regarding the INED’s independence which must contain all the information required by Main Board Rule 3.13(a), (b) and (c)/ GEM Rule 5.09(a), (b) and (c). Each INED must provide to the issuer an annual confirmation regarding the INED’s independence which must contain the information required by Main Board Rule 3.13 (a) and (c)/ GEM Rule 5.09 (a) and (c).</p> <p><i>(Previously published in Series No. 8 No. 9)</i></p>
11E.	3.13(3) and (4)	5.09(3) and (4)	<p>For INEDs who fulfilled a one-year cooling off period and were appointed prior to 1 January 2019, would they</p>	<p>In respect of the revised two-year cooling off period for professional advisers, the revised Rule (Main Board Rule 3.13(3) and (4) / GEM Rule 5.09(3) and (4)) will be grandfathered for</p>

No.	Main Board Rules	GEM Rules	Question	Response
			be allowed to stay on if, on 1 January 2019, they are short of a two-year cooling off period provided they would be able to meet all other independence factors?	<p>INEDs appointed in 2018. It means that, if an INED was elected at an AGM held in 2018 at which time the INED had met the one-year cooling off period for a professional adviser, the INED may stay on even if the INED would not meet the new two-year cooling off requirement as at 1 January 2019. The individual will be able to serve their full term as an INED (unless there is an early termination).</p> <p><i>(Added on 28 December 2018)</i></p>
11F.	Note 2 to 3.13	Note 2 to 5.09	For any INED appointment to be effected after 1 January 2019, would the Exchange request for independence confirmation from the immediate family members of those INED?	<p>The Listing Rules do not require independence confirmation from the immediate family members of the INED. The Exchange, under this Note, <u>encourages</u> the inclusion of an INED's immediate family members' connection with the issuer in the assessment of their independence.</p> <p><i>(Added on 28 December 2018)</i></p>
11G.	3.21	5.28	Can a NED who is a connected person of the issuer be a member of the Audit Committee?	<p>Although the Rules do not specifically prohibit this, we consider that members of the audit committee should be independent of connected persons.</p> <p><i>(Previously published in Series No. 1 No. 10)</i></p>
11H.	3.21	5.28	Can the qualified accountant (also executive director) be appointed as the audit committee's secretary?	<p>We consider that the secretary of the audit committee should not be a person who is involved in the financial reporting function of the issuer.</p> <p><i>(Previously published in Series No. 1 No. 11)</i></p>

No.	Main Board Rules	GEM Rules	Question	Response
<u>Board committees</u>				
12.	3.25	5.34	Can the issuer's staff and executive directors be appointed as members of the remuneration committee as long as the committee is chaired by an INED and the majority of its members are INEDs?	<p>Yes. The Rules do not restrict issuers from appointing their staff or executive directors to act as members of the remuneration committee, as long as a majority of the remuneration committee are INEDs and it is chaired by an INED. However, the staff or executive directors must avoid actual or potential conflicts of interest. In case such conflicts arise, the staff or executive directors must excuse themselves from the meeting or abstain from voting on the relevant decisions.</p> <p><i>(Updated on 28 December 2018)</i></p>
<u>Company secretary training</u>				
13.	3.29	5.15	Does the Exchange provide any accreditation of professional training for company secretaries which could fulfil the requirement of this Rule?	<p>The Exchange does not generally provide accreditation of professional training courses although the Exchange considers the Hong Kong Institute of Chartered Secretaries' continuing professional development training (including their ECPD courses) satisfy the requirements of this Rule.</p> <p><i>(Updated on 28 December 2018)</i></p>
13A.	3.29	5.15	Does an accountant or lawyer acting as an issuer's company secretary fulfil the requirement to attend relevant professional training each year by attending CPD courses on	<p>We intend that the training should be broad rather than restrictive. Where legal and accounting courses are relevant to a company secretary's role and duties, they should count towards the 15-hour training requirement.</p> <p><i>(Updated on 28 December 2018)</i></p>

No.	Main Board Rules	GEM Rules	Question	Response
			subjects such as litigation and accounting standards?	
13B.	3.29	5.15	If a person is the company secretary of an issuer that is dual-listed on the Hong Kong and Shanghai stock exchanges and attends training courses relating to PRC listing requirements and regulations (to comply with Shanghai Stock Exchange requirements), do those courses count towards the 15-hour training requirement?	As the company secretary of a Hong Kong issuer, this person should also undergo training on Hong Kong rules and regulations. However, the Exchange does not prescribe specific types of courses that a company secretary should attend, as long as they are relevant to their professional duties. If the training courses are of a general nature (e.g. a course on corporate governance), and not specifically on any PRC rules and regulations, then they may count towards the 15-hour training requirement. <i>(Updated on 28 December 2018)</i>
13C.	(FAQ withdrawn on 28 December 2018)			
<u>Voting by poll</u>				
14.	Note to Rule 13.39(4)	Note to Rule 17.47(4)	Are there any examples of procedural and administrative matters?	Procedural and administrative matters include, for example, adjourning a meeting by resolution to: (a) ensure orderly conduct of the meeting (e.g. if the meeting facilities to house the number of members attending has become inadequate); or (b) maintain the orderliness of the meeting, e.g. if it becomes impossible to ascertain the views of the members, or there is disorder or threat of disorder from members or if there is a disturbance

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				<p>caused by members or the uninvited public; or</p> <p>(c) respond to an emergency such as a fire, a serious accident or hoisting of tropical cyclone warning signal No. 8 during a meeting; or</p> <p>(d) announce results at the end of the AGM.</p>
<u>Board meetings</u>				
14A.	13.43	17.48	<p>A listed company has published an announcement on the board meeting date to approve its annual results 7 clear business days before the board meeting.</p> <p>If the listed company subsequently decides to postpone the board meeting to a later date, is it required to give another 7-day notice?</p>	<p>Subject to its articles of association, the listed company does not need to give another 7-day notice. However, it should, as soon as practicable, announce the postponement of board meeting and the revised board meeting date.</p> <p><i>(Previously published in Series No. 9 No. 25) (Updated on 28 December 2018)</i></p>
<u>Removing 5% threshold for voting on a resolution in which a director has an interest</u>				
15.	13.44 and Note 1 to Appendix 3	17.48A and Note 5 to Appendix 3	<p>If a director is a shareholder of the issuer, should the director abstain from voting when the board considers dividend payments?</p>	<p>No. In cases where a director's interest is the same as all shareholders, (e.g. approving dividend payments), then the director does not need to abstain from voting.</p> <p><i>(Updated on 28 December 2018)</i></p>

No.	Main Board Rules	GEM Rules	Question	Response
15A.	13.44 and Note 1 to Appendix 3	17.48A and Note 5 to Appendix 3	If a director has a material interest in a board resolution approving a transaction concerning another company, but does not have any beneficial interest in the shares of that company, should the director abstain from voting on the relevant resolution?	<p>Yes. As long as the director has a material interest in the transaction, the director should abstain from voting, even if the director has no beneficial interest in the shares of the other company.</p> <p><i>(Updated on 28 December 2018)</i></p>
15B.	13.44	17.48A	Is it acceptable for an issuer to simply comply with this Rule without amending its memorandum and articles of association (to remove the exception for a director voting on a resolution in which the individual has a less than 5% interest) until further substantial changes are required to be made to the documents?	Yes, an issuer does not need to amend its constitutional document as a result of this Rule amendment.
<u>Directors/Supervisors/Chief Executives' information</u>				
16.	13.51	17.50	In the case of the resignation, retirement or removal of a director, supervisor or chief executive, will an issuer also be required to make	No, it is not intended that when a director, supervisor or chief executive resigns, retires or is removed that the announcement should contain the items listed under (a) to (x) of Rule 13.51(2)/GEM Rule 17.50(2).

No.	Main Board Rules	GEM Rules	Question	Response
			the disclosures set out in (a) to (x) of Rule 13.51(2)/GEM Rule 17.50(2)?	
<u>Publishing procedures for election of directors</u>				
17.	13.51D	17.50C	Can issuers publish on their websites the procedures for director election in a single language (i.e. English or Chinese only)?	No, they must be published in both English and Chinese.
<u>Shareholders' approval to appoint and remove an auditor</u>				
18.	13.88	17.100	Is an issuer required to seek shareholder approval for the appointment of a new auditor if the existing auditor resigns before the end of their term of office?	Shareholder approval is not required for the appointment of an auditor to fill a casual vacancy during the year. However, the issuer must seek shareholder approval for the formal appointment of the auditor at the next AGM. <i>(Updated on 28 December 2018)</i>
<u>Publishing constitutional documents on websites</u>				
19.	13.90	17.102	Can issuers publish their constitutional documents in a single language (i.e. English or Chinese only)?	No, the constitutional documents must be published in both English and Chinese.
19A.	13.90	17.102	If we translate our constitutional document, would both languages be of equal effect?	For translation of constitutional documents, you should specify which of the two languages (Chinese or English) prevail in case of discrepancies or inconsistencies.
19B.	13.90	17.102	Do issuers have to publish	Issuers do not need to publish their

No.	Main Board Rules	GEM Rules	Question	Response
			their constitutional documents by way of an announcement? Which announcement headline(s) should they use?	constitutional documents by way of an announcement. They may select the current Tier One Headline Category – Constitutional Documents when submitting their documents for publication on the HKExnews website.
19C.	13.90	17.102	If an issuer has amended constitutional documents (memorandum and articles of association, bye-laws or other equivalent constitutional document) many times over the years since its incorporation, is it required to post to the Exchange website its documents incorporating all the previous amendments?	The issuer is required to publish a consolidated version of the constitutional document which has incorporated all the changes. This may be a conformed copy or a consolidated version not formally adopted by shareholders at a general meeting. However, if the issuer does so, the front page of the published constitutional document should include a statement that it is a conformed copy or a consolidated version not formally adopted by shareholders at a general meeting.
19D.	13.90	17.102	An issuer is incorporated in Bermuda and in order to publish a consolidated version of the constitutional document, the issuer needs to obtain shareholder and court approval and register the consolidated constitutional document with the Bermuda Companies Registry, is it required to post to the Exchange website its consolidated constitutional document with the Bermuda Companies Registry?	See response to Question 19C above. <i>(Updated on 28 December 2018)</i>

No.	Main Board Rules	GEM Rules	Question	Response
<u>Board diversity policy</u>				
19E.	13.92	17.104	Is an issuer required to have and to disclose a board diversity policy from 1 January 2019?	<p>Yes, an issuer must have and disclose a board diversity policy covering the period from 1 January 2019 onwards.</p> <p>For instance, an issuer with a March financial year end must state in its Corporate Governance Report in the annual report in respect of financial year 1 April 2018 to 31 March 2019 that it has had a diversity policy from 1 January 2019 (or an earlier adoption date if applicable). The issuer must also disclose the policy or a summary of it in the Corporate Governance Report.</p> <p><i>(Added on 28 December 2018)</i></p>
19F	13.92	17.104	Will the Exchange be providing training on board diversity?	<p>Yes, the Exchange has provided a series of training on board diversity.</p> <p>In March 2017, we launched a Director Training Webcast entitled “Duties of Directors and the Role and Functions of Board Diversity Policy” in which one of the topics is on board committees and board diversity.</p> <p>In July 2018, we published a Guidance on Boards and Directors which sets out guidance on board diversity policies, including gender diversity.</p> <p>In December 2018, we released a Directors’ E-Training webcast entitled “INEDs’ Role in Corporate Governance” which covered the</p>

No.	Main Board Rules	GEM Rules	Question	Response
				board diversity topic. <i>(Added on 28 December 2018)</i>
THE CORPORATE GOVERNANCE CODE				
<u>Chairman and Chief Executive</u>				
19G.	CP A.1.8	CP A.1.8	What are the requirements for the insurance cover that an issuer should provide in respect of legal action against its directors?	Issuers should take out appropriate insurance cover in respect of the possible legal liabilities that directors may face. What is appropriate is up to the individual issuer. For example, directors of a large multi-national company may need a higher degree of insurance coverage than an issuer based locally. It also depends on other factors such as the nature of the issuer's business. The board of each issuer should consider its own risks and take out appropriate directors' liability insurance accordingly. <i>(Previously published in Series No. 21 No. 1)</i>
19H.	CP A.2.7	CP A.2.7	Are issuers required to confirm compliance (or explain for deviation) of CP A.2.7 in interim reports and in Corporate Governance Reports included in annual reports covering the period from 1 January 2019?	In respect of the revised CP taking effect on 1 January 2019, an issuer must state (or explain for deviation) whether it has complied with the revised CP from its 2019 Corporate Governance Report onwards. <i>(Added on 28 December 2018)</i>
19I.	CP A.2.7	CP A.2.7	Under CP A.2.7, the chairman should at least annually hold meetings with the INEDs without the	Yes. The chairman should hold these meetings even if the chairman is not an INED. <i>(Updated on 28 December 2018)</i>

No.	Main Board Rules	GEM Rules	Question	Response
			presence of other directors. Is the CP applicable to an issuer if its chairman is not an INED?	
<u>Publication of various documents on HKEx website and issuers' websites</u>				
20.	CP A.3.2	CP A.3.2	The amended CP A.3.2 requires publication of an updated list of directors identifying their role and function. Please clarify the information that should be disclosed in this list of directors.	An issuer should identify whether each director is an executive director, NED or INED and, if applicable, specify the director's role in the the issuer (e.g. chairman of the board, chief executive, chief financial officer, member or chairman of the audit/nomination/remuneration/other board committee(s), etc.). <i>(Updated on 28 December 2018)</i>
20A.	(FAQ withdrawn on 1 April 2015)			
20B.	CPs A.3.2, A.5.3, B.1.3 and C.3.4	CPs A.3.2, A.5.3, B.1.3 and C.3.4	Can an issuer publish the terms of reference of its board committees and its list of directors in a single language (i.e. English or Chinese only)?	No, these documents must be published in both English and Chinese.
20C.	CPs A.3.2, A.5.3, B.1.3 and C.3.4	CPs A.3.2, A.5.3, B.1.3 and C.3.4	Does an issuer have to publish the terms of reference of its board committees and its list of directors by way of an announcement?	No, the terms of references do not need to be published in an announcement format. An issuer should select the current Tier 1 Headline Categories for Announcements and Notices, under which the following new Headline Categories will be added:

No.	Main Board Rules	GEM Rules	Question	Response
				<ul style="list-style-type: none"> (a) List of Directors and their Role and Function (b) Terms of Reference of the Audit Committee (c) Terms of Reference of the Remuneration Committee (d) Terms of Reference of the Nomination Committee
20D.	CPs A.3.2, A.5.3, B.1.3 and C.3.4	CPs A.3.2, A.5.3, B.1.3 and C.3.4	<p>If an issuer amends the terms of reference of its board committees and/or amends its list of directors from time to time:</p> <ul style="list-style-type: none"> (a) What is the expected timing for issuers to post the updated documents on the HKEXnews website and on its own website? (b) If an issuer announces on a particular date (e.g. 22 February) that a new director will be appointed with effect from a later date (e.g. 25 April), should it upload the new list of directors at the earlier or later date? 	<ul style="list-style-type: none"> (a) Issuers are expected to post the updated documents as soon as reasonably practicable after the changes have come into effect. (b) In this case, the issuer may upload the new list of directors onto its and the HKEXnews website on or before the effective date (i.e. 25 April). <p><i>(Updated on 28 December 2018)</i></p>

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<u>An INED who has served nine years</u>				
21.	CP A.4.3	CP A.4.3	If an INED has served an issuer for 9 years or more, is it necessary to re-elect the individual every year at the AGM (using a separate AGM resolution), alternatively, can the issuer continue to re-elect the INED on a regular rotation basis in accordance with its constitutional documents?	<p>The issuer does not need to re-elect the INED who has served more than 9 years every year. The issuer should continue to re-elect the INED on a regular rotation basis in accordance with its constitutional documents.</p> <p><i>(Updated on 28 December 2018)</i></p>
21A.	CP A.5.1	CP A.5.1	If an issuer's nomination committee is not chaired by an INED or the chairman of the board, what might the Exchange consider as an acceptable explanation for this deviation from the CP?	<p>The issuer should explain in its Corporate Governance Report the reason(s) for the deviation. The Exchange expects that the explanation of any deviation from a CP should be informative and clear, and should:</p> <ul style="list-style-type: none"> (a) explain the manner in which the issuer deviates from the CP; (b) explain the measure(s) taken instead of compliance; (c) describe the decision-making process; and (d) give considered reasons. <p><i>(Updated on 28 December 2018)</i></p> <p><i>(Previously published in Series No. 21 No. 2)</i></p>

No.	Main Board Rules	GEM Rules	Question	Response
<u>Overboarding and INED's time commitment</u>				
21B.	CP A.5.5	CP A.5.5	If an issuer appointed a director who will be holding their seventh INED directorship, would it be considered as a deviation from the CP?	<p>If the director will be taking on their seventh INED position (or more), starting from 1 January 2019, it is a “comply or explain” requirement that issuers should state in the circular to shareholders accompanying the resolution to elect the INED its reasons for determining that the proposed INED would be able to devote sufficient time to the board. For details, please refer to the Guidance for Boards and Directors (see Response 10A). Please note that INEDs are expected to keep up to date with the issuer’s business affairs and contribute to the board’s strategic objective setting. It is crucially important that INEDs make sufficient time available to discharge their duties and responsibilities for the benefit of the issuer.</p> <p><i>(Added on 28 December 2018)</i></p>
<u>Directors' training</u>				
22.	CP A.6.5	CP A.6.5	Would the training (including the Director Training Webcasts in 2017/2018 and Directors' E-Training) provided by the Exchange be considered as “continuous professional development” for the purpose of this CP?	<p>Yes, if an issuer’s director has participated in training provided by the Exchange, such training would be considered as part of a director’s continuous professional development.</p> <p>The Exchange has conducted a number of director training initiatives. In 2017 and 2018, the Exchange launched a series of director training webcasts (Director Training Webcasts) with topics including:</p>

No.	Main Board Rules	GEM Rules	Question	Response
				<ul style="list-style-type: none"> - Duties of Directors and Role and Function of Board Committees - Risk Management and Internal Control, ESG Reporting - Corporate Governance - Director and Company Secretary's Roles - Directors' Responsibilities at IPOs <p>In December 2018, the Exchange released a Directors' E-Training entitled "INEDs' Role in Corporate Governance".</p> <p>We strongly encourage all directors to complete the training to help improve their effectiveness.</p> <p><i>(Updated on 28 December 2018)</i></p>
22A.	CP A.6.5 and Paragraph I(i)	CP A.6.5 and Paragraph I(i)	Is there any prescribed form of training for directors? Is appropriate directors' training restricted to classes or seminars?	<p>The CP on directors' training can be satisfied in a number of ways, e.g. by attending in-house briefings, by giving talks, by attending training relevant to the issuer's business conducted by lawyers, even by reading material relevant to the director's duties and responsibilities (including the Director Training Webcasts and the Directors' E-Training launched by the Exchange). For details, please refer to Response 22.</p> <p><i>(Updated on 28 December 2018)</i></p>
22B.	CP A.6.5 and Paragraph I(i)	CP A.6.5 and Paragraph I(i)	If a director sits on the board of several issuers, can the same training record be provided to each	<p>Yes, the director can provide the same training record to all the issuers.</p>

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			issuer in order to comply with this CP and disclosure requirement?	<i>(Updated on 28 December 2018)</i>
22C.	CPs A.6.7	CPs A.6.7	The CP states that “ <i>Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders</i> ”. Is it deviation from the CP if one or more of an issuer’s INEDs or other NEDs do not attend a general meeting?	<p>We would not consider the absence of one or more of an issuer’s INEDs or other NEDs from a general meeting to be a deviation from CP A.6.7.</p> <p>However, NEDs’ attendance at general meetings is important. An INED 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.</p> <p><i>(Added on 28 December 2018)</i></p>
<u>Senior management</u>				
23.	CPs A.7.2, B.1.2, B.1.5, B.1.8, C.3.3, D.3.1 and Paragraph Q	CPs A.7.2, B.1.2, B.1.5, B.1.8, C.3.3, D.3.1 and Paragraph Q	Are there any particular criteria for defining "senior management"?	Senior management is the same category of persons referred to in the issuer’s annual report.
<u>Monthly management updates</u>				
24.	CP C.1.2	CP C.1.2	If the monthly management accounts have been reviewed by directors, is	No. Monthly management accounts need not contain inside information. Under normal circumstances, where the issuer’s performance

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			<p>there any change to the blackout period for directors regarding their dealings in the issuers' shares?</p>	<p>is in line with market expectations based on previous disclosure by the issuer, it is unlikely that a director would be precluded from dealing in the issuer's securities just because they received monthly accounts from management. If, however, the monthly management accounts reveal inside information, the director would be precluded from dealing in the issuer's securities until the information has been disseminated to the market.</p>
24A.	CP C.1.2	CP C.1.2	<p>Should the issuer send the monthly management accounts/management updates to directors 60 days after the month end? Is there a deadline?</p>	<p>Monthly updates should be provided to directors as soon as practicable after the month-end. Although the CP does not specify a deadline, it will not be useful for directors if they receive the information two months after the month-end. Directors will not be able to monitor the issuer's financial affairs and price sensitive information disclosure unless the information is timely.</p>
24B.	Recommended Best Practice C.1.6, Appendix 16	18.02	<p>A Main Board issuer proposes to publish its quarterly results on a voluntary basis.</p> <p>What are the disclosure requirements for quarterly results?</p> <p>Does the issuer need to follow the same requirements as for half-</p>	<p>For quarterly reporting, the Main Board issuer can follow all the disclosure requirements governing half-year results.</p> <p>In the Corporate Governance Code and Corporate Governance Report set out in Main Board Rules Appendix 14 (GEM Rules Appendix 15), Main Board issuers are recommended to publish their quarterly results within 45 days after the quarter end.</p> <p>Quarterly reporting is mandatory for GEM</p>

No.	Main Board Rules	GEM Rules	Question	Response
			year results announcements or reports?	issuers. <i>(Previously published in Series No. 1 No. 79)</i>
24C.	Principle C.2	Principle C.2	Principle C.2 of the Code states that the management should provide a confirmation to the board on the effectiveness of the risk management and internal control systems. Is there a definition for the term “management”?	“Management” is a commonly understood term; each company may determine its own management. <i>(Previously published in Series No. 30 No. 2)</i> <i>(Updated on 28 December 2018)</i>
24D.	CP C.2.1	CP C.2.1	The board is required to oversee the issuer’s risk management and internal control systems “on an ongoing basis”. Is this a day-to-day responsibility of the board?	It is the role of management to implement and take day-to-day responsibility for board policies on risk management and internal control. However, the board needs to satisfy itself that management has understood the risks, has implemented and is monitoring appropriate policies and controls, and is providing the board with timely information so that it can discharge its own responsibilities. <i>(Previously published in Series No. 30 No. 4)</i>

No.	Main Board Rules	GEM Rules	Question	Response
24E.	CP C.2.2	CP C.2.2	<p>Under the CP, can a PRC qualified accountant be appointed to be in charge of an H-share issuer's accounting and financial reporting function?</p> <p>Would a person who is not a member of a professional accounting body but with another qualification, for example a MBA (Finance) Degree from a USA graduate school of business, with over 20 years' financial management experience, be considered a person who possesses adequate qualifications and experience and be employed to oversee procedures and internal controls governing an issuer's accounting and financial reporting function?</p>	<p>An issuer will have the freedom to decide the number of personnel and their accounting qualifications which are suitable for the company. The board of directors has the responsibility of determining the adequacy of qualifications and experience of such persons to oversee procedures and internal controls governing the issuer's accounting and financial reporting function.</p> <p>An issuer should also note that, under the CP, the board of directors is responsible for reviewing the adequacy of the resources, qualifications and experience of staff for the issuer's accounting and financial reporting function. If an issuer chooses to deviate from the CP, it will be required to explain in its Corporate Governance Report.</p> <p><i>(Updated on 28 December 2018)</i></p> <p><i>(Previously published in Series No. 8 No. 12)</i></p>
24F.	CP C.2.5	CP C.2.5	<p>CP C.2.5 states that the issuer should have an internal audit function. Is it a deviation from the CP if an issuer outsources the internal audit function?</p>	<p>We understand that in practice it is common for issuers to engage external service providers to perform the internal audit function. We would not consider outsourcing the internal audit function to competent persons as a deviation from CP C.2.5.</p> <p><i>(Previously published in Series No. 30 No. 5)</i></p>

No.	Main Board Rules	GEM Rules	Question	Response
24G.	CP C.2.5	CP C.2.5	What does the Exchange expect of an issuer's internal audit function?	<p>While the Exchange does not intend to prescribe the manner in which issuers carry out their internal audit function, we note that it may be helpful for issuers to refer to the Institute of Internal Auditors' International Professional Practices Framework ("IAIPPF") for guidance.</p> <p>The IAIPPF defines "internal auditing" as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".</p> <p><i>(Previously published in Series No. 30 No. 6)</i></p>
24H.	CP C.2.5	CP C.2.5	Note 2 to CP C.2.5 states that a group with multiple issuers may share group resources to carry out the internal audit function for members of the group. Which of the issuers in the group should carry out the internal audit function?	<p>We consider that a group should have the flexibility to decide which of its group companies, holding or subsidiaries, is best equipped to carry out the internal audit function for other members of the group, based on expertise and resources planning and allocation.</p> <p>However, it is not the case that a group should always share resources to carry out the internal audit function. In some cases, it may be more appropriate for issuers within a group to carry out the internal audit function separately. This is a matter for each issuer, or group of issuers, to</p>

No.	Main Board Rules	GEM Rules	Question	Response
				<p>consider and decide upon in the light of their individual circumstances.</p> <p><i>(Previously published in Series No. 30 No. 7)</i></p>
24I.	Principle C.2 and Recommended Best Practice C.2.6	Principle C.2 and Recommended Best Practice C.2.6	For the management to provide a confirmation to the board on the effectiveness of the issuer's risk management and internal control systems, is it necessary for the management to first obtain a confirmation from an independent third party?	<p>We intended the term "confirmation" to mean that the management should inspire confidence in the board on the effectiveness of the systems, as opposed to requiring assurance given by independent third parties.</p> <p><i>(Previously published in Series No. 30 No. 3)</i></p>
24J.	CP C.3.2	CP C.3.2	As mentioned in Question 11E above, an INED who has fulfilled a one-year cooling off period and who was appointed prior to 1 January 2019, would be allowed to stay on for the full term unless early terminated. However, would the INED be allowed to stay on as a member of the audit committee or would that be considered as a deviation from the CP?	<p>For consistency, the revised Rule (Main Board Rule 3.13/ GEM Rule 5.09) and the revised CP (CP C.3.2) will be grandfathered for INEDs appointed in 2018. It means that, even if at the time of re-appointment, the newly appointed INED is short of a two-year cooling off period, the INED should still be allowed to be appointed as a member of the audit committee.</p> <p><i>(Added on 28 December 2018)</i></p>
<u>Director's letter of appointment</u>				
25.	CP D.1.4	CP D.1.4	Does this CP apply to the appointment of new	Yes. There should be a letter of appointment for existing as well as new directors. We will not

No.	Main Board Rules	GEM Rules	Question	Response
			directors as well as to existing directors? What are the key terms and conditions that need to be included in the letter of appointment?	specify the terms and conditions of the letter of appointment and will leave it to the issuers to decide.
<u>General Meetings</u>				
25A.	Principle E.1, Guide on General Meetings, General Principle 2.3	Principle E.1, Guide on General Meetings, General Principle 2.3	Can issuers hold a meeting at two or more places using technology that enables members to listen, speak and vote, as provided for under the Companies Ordinance (Cap. 622)(s. 584(1))?	Yes. The Guide on General Meetings provides that issuers may use (and should consider using) technology (e.g. webcasts or video conferencing) in order to maximise shareholder participation. <i>(Previously published in Series No. 26 No. 16)</i> <i>(Updated on 28 December 2018)</i>
<u>Bundling of resolutions</u>				
26.	CP E.1.1	CP E.1.1	Please give an example of “bundling” resolutions. Would the amendment of several articles included in one special resolution be considered “bundling”?	If an amendment to the issuer’s articles of association is likely to be controversial, the resolution in respect of the amendment should not be “bundled” with the less controversial resolutions. This is so even if the other resolutions are related to the controversial resolution.
<u>Dividend policy</u>				
26A.	CP E.1.5	CP E.1.5	If an issuer adopts a dividend policy taking effect on 1 January 2019, is the issuer required to disclose its dividend policy in its	The new requirement (on a “comply or explain” basis) that the issuer should have a dividend policy will become effective on 1 January 2019. The issuer should: (a) have a dividend policy from 1 January 2019; and (b) disclose the

No.	Main Board Rules	GEM Rules	Question	Response
			annual report for the year ended 31 December 2018 (which will be published by 30 March 2019)?	<p>policy in the Corporate Governance Report in the annual report covering the financial period from 1 January 2019. For instance, if an issuer has a March financial year-end, it should state in its Corporate Governance Report for the financial year from April 2018 to March 2019 that as at January 2019, the issuer has in place a dividend policy (or an earlier adoption date if applicable). It should also disclose the policy in the Corporate Governance Report to be published in respect of the financial year from April 2018 to March 2019.</p> <p><i>(Added on 28 December 2018)</i></p>
<u>Notice of meeting</u>				
26B.	CP E.1.3	CP E.1.3	CP E.1.3 provides that an issuer should give a minimum of 20 clear business days notice period before an AGM. A listed company plans to convene its AGM 20 clear business days after the despatch of the AGM notice. However, the stock market closed for one day during the notice period due to a typhoon. Would the listed company be considered to have breached the CP if it	<p>The listed company has complied with the CP at the time of despatch of the AGM notice. Subject to its articles of association, the listed company may convene the AGM as planned. It would not be considered to have breached the CP in the circumstances described.</p> <p><i>(Previously published in Series No. 9 No. 26)</i></p>

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			convenes the AGM as planned?	
26C.	CP E.1.3, 13.70	CP E.1.3, 17.46B	A shareholder proposes a person for election as a director at the forthcoming AGM after the listed company has issued the AGM notice. The listed company will issue a supplemental notice for the nomination of the director. Is it required to comply with the minimum 20 clear business days notice period under CP E.1.3 for the despatch of this supplemental notice?	<p>For nomination of directors in the circumstances described, Main Board Rule 13.70/ GEM Rule 17.46B specifically require the issuer to assess whether it is necessary to adjourn the general meeting to give shareholders at least 14 days to consider the information disclosed in the supplemental notice. It would normally be acceptable for the listed company to issue the supplemental notice 14 days before the AGM or the adjourned AGM.</p> <p><i>(Previously published in Series No. 9 No. 27)</i></p>
<u>Company secretary</u>				
27.	CP F.1.1	CP F.1.1	If a company secretary serves a group of issuers, but is an employee of only one of these issuers, would this be considered a deviation from the CP?	No, it would not be considered as a deviation from the CP.
28.	CP F.1.3	CP F.1.3	This CP states that the company secretary should report to the chairman and/or the chief executive. Is this requirement applicable to an external service provider acting as company secretary?	<p>The CP does not intend for an external service provider to report to the chairman and/or the chief executive.</p> <p><i>(Updated on 28 December 2018)</i></p>

No.	Main Board Rules	GEM Rules	Question	Response
29.	Appendix 14, Paragraph L(c)	Appendix 15, Paragraph L(c)	Regarding the disclosure of directors' attendance at committee meetings, does the Exchange expect that such disclosure should cover the directors' attendance at all board committees (not merely the audit, nomination and remuneration committees which are mentioned in the Listing Rules)?	No, the mandatory disclosure requirement for directors' attendance at board committee meetings under this Rule only relates to the remuneration committee, nomination committee, audit committee and the corporate governance function of the board (or a committee delegated by the board responsible for corporate governance matters).
Notes under CPs				
30.	Note(s) under CP(s)	Note(s) under CP(s)	Is a Note under a CP subject to "comply or explain"?	No, it is not. A Note is normally used to clarify the meaning or illustrate the practical application of the CP. <i>(Updated on 28 December 2018)</i>