

Frequently Asked Questions Series 1 (Released in March 2004/ Last Updated in October 2020)

Rule Requirements relating to Listing Criteria Issues and Continuing Obligations

Status of “ Frequently Asked Questions”

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

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

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

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

No.	Main Board Rules	GEM Rules	Query	Response
1.	1.01, 14A.12(1)(b), 14A.13(2), 19A.04	1.01, 20.10(1)(b), 20.11(2), 25.04	Do “close associate” and “associate” include a trustee where the beneficiary of the trust is a company controlled by a director, chief executive or substantial shareholder or any of his family interests/ immediate family members?	<p>Yes. For the purpose of the definitions of “close associate” and “associate”, the interest of a director, chief executive or substantial shareholder, or any of his family interests/ immediate family members includes all beneficial interests directly or indirectly held by any of these parties. This would include the trustee of any trust of which a company beneficially controlled by a director, chief executive or substantial shareholder, or any of his family interests/ immediate family members is a beneficiary. Similarly, where the substantial shareholder is a corporation, “close associate” and “associate” include the trustee of any trust of which a subsidiary of the substantial shareholder is a beneficiary.</p> <p><i>Updated in February 2020</i></p>
2.	(FAQ relocated to Series 17 No. 10B on 28 December 2018)			
3.	(FAQ relocated to Series 17 No. 10C on 28 December 2018)			

No.	Main Board Rules	GEM Rules	Query	Response
4.	(FAQ relocated to Series 17 No. 10D on 28 December 2018)			
5.	(FAQ relocated to Series 17 No. 10E on 28 December 2018)			
6.	(FAQ relocated to Series 17 No. 10F on 28 December 2018)			
7.	(FAQ relocated to Series 17 No. 11A on 28 December 2018)			
8.	(FAQ relocated to Series 17 No. 11B on 28 December 2018)			
9.	(FAQ relocated to Series 17 No. 11C on 28 December 2018)			

No.	Main Board Rules	GEM Rules	Query	Response
10.	(FAQ relocated to Series 17 No. 11G on 28 December 2018)			
11.	(FAQ relocated to Series 17 No. 11H on 28 December 2018)			
12.	(FAQ withdrawn on 30 September 2009)			
13.	(FAQ withdrawn on 30 September 2009)			
14.	(FAQ withdrawn on 30 September 2009)			
15.	(FAQ withdrawn in February 2020)			
16.	(FAQ withdrawn in February 2020)			

No.	Main Board Rules	GEM Rules	Query	Response
17.	(FAQ withdrawn on 26 April 2019)			
18.	(FAQ withdrawn on 1 February 2011)			
19.	(FAQ withdrawn in February 2020)			
20.	8.08(1)(b)	11.23(7)	Please clarify what the issuer's total issued share capital refers to for the purpose of calculating public float under Rule 8.08(1)(b)?	It refers to all classes of shares in issue including shares listed on the Exchange and other regulated exchanges and other unlisted shares. <i>Updated in February 2020</i>
20A.	9.11(38), Appendix 1A Paragraph 41(1), Appendix 5 Form B/H/I Paragraph 2	12.26(9), Appendix 1A Paragraph 41(1), Appendix 6 Form A/ B/C Paragraph 2	A director of a listing applicant is subject to an investigation, hearing, proceeding or judicial proceeding in respect of which disclosure is prohibited by law. How does the director ensure that the listing document complies with the requirement in Appendix 1A Paragraph 41(1) regarding disclosure of all "other information which shareholders should be aware pertaining to the competence or integrity of such director"?	The director and the sponsor should assess whether the relevant investigation, hearing, proceeding or judicial proceeding relates to the director's competence or integrity, and try to seek consent from the relevant regulator or authority to disclose relevant details of the investigation, hearing, proceeding or judicial proceeding to the Exchange for assessment of his suitability under the Listing Rules. If the director is unable to obtain the relevant consent, or the Exchange determines (following confidential disclosure by the director) that the investigation, hearing, proceeding or judicial proceeding gives rise

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				<p>to material concerns regarding his competence or integrity, the listing document will not be able to comply with Appendix 1A Paragraph 41(1).</p> <p>.</p> <p>Applicants may submit pre-IPO enquiries to the Exchange to seek informal and confidential guidance on such issues.</p> <p><i>Updated in February 2020</i></p>
21.	(FAQ withdrawn on 30 September 2009)			
22.	13.13, 13.14, 13.16	17.15, 17.16, 17.18	Clarify what should be included in the numerator for the calculation of the asset test of the relevant advance?	<p>The numerator should be the total advances (not the interest earned) plus any monetary advantage accruing to the entity or affiliated company.</p> <p><i>Updated in February 2020</i></p>
23.	(FAQ withdrawn in February 2020)			
24.	(FAQ withdrawn on 30 September 2009)			

No.	Main Board Rules	GEM Rules	Query	Response
25.	13.13, 13.14	17.15, 17.16	When is the general disclosure obligation under Main Board Rule 13.14 (GEM Rule 17.16) triggered for advances to an entity or affiliated company that have already been announced in accordance with Main Board Rule 13.13 (GEM Rule 17.15)?	<p>Where there is any further increase in the advance previously announced in accordance with Main Board Rule 13.13 (GEM Rule 17.15), the issuer has to make a new announcement under Main Board Rule 13.14 (GEM Rule 17.16) if:</p> <ul style="list-style-type: none"> • the increased balance has exceeded the 8% threshold for the asset ratio; and • the increase since the last announcement was made exceeds the 3% threshold for the asset ratio. <p><i>Updated in February 2020</i></p>
26.	(FAQ withdrawn on 10 May 2013)			
27.	(FAQ withdrawn on 30 September 2009)			
28.	13.36(2)(a)	17.41(1)	Is an overseas legal opinion required in the event that a proposed bonus issue of issue of warrants will exclude overseas shareholders?	No. Note 1 to Main Board Rule 13.36(2)(a) (GEM rule 17.41(1)) only requires the issuer make enquiry regarding the legal restrictions under the laws of the relevant jurisdiction. It is up to the issuer to decide whether or not it should obtain a legal opinion to support its analysis of the Rules.

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29.	(FAQ withdrawn in February 2020)			
30.	13.36(2)(b)	17.41(2)	<p>Is there any limit on the number of refreshments of the general mandate during a year?</p> <p>How is the “one year” determined - from refreshment of the general mandate or with reference to annual general meetings?</p>	<p>No. There is no limit on the number of refreshments of the general mandate by Main Board and GEM issuers during a year. However, independent shareholders’ approval is required for the second and subsequent refreshments during the year.</p> <p>The period of “one year” is a rolling one year period normally determined with reference to annual general meetings when a new mandate for the year is obtained.</p>
31.	13.36(4)(e)	17.42A(5)	Please explain the top-up arrangement under refreshment of general mandate.	<p>An issuer wishing to top-up the unused portion of their previous general mandate, based on the enlarged issued share capital, needs only to obtain shareholders’ approval. They can top up to the number of shares so that, in percentage terms, the unused part of the general mandate before and after the pre-emptive issue of securities is the same.</p> <p><u>Example:</u> Existing issued share capital: 100,000 shares</p> <p>General mandate before placing:</p>

No.	Main Board Rules	GEM Rules	Query	Response
				<p>20,000 shares (20%)</p> <p>Placing of shares under the general mandate: 5,000 shares</p> <p>Issued share capital after placing: 105,000 shares</p> <p>Unused general mandate: 15,000 shares (15% of 100,000 shares)</p> <p>New shares issued under a 1 for 2 rights issue: 52,500 shares</p> <p>Issued share capital after right issue: 157,500 shares</p> <p>Shareholders' approval will be required to top-up the general mandate from 15,000 to 23,625 shares (15% of 157,500 shares). Independent shareholders' approval will be required for an additional mandate for 7,875 shares (i.e. 5% of 157,500 shares).</p>
32.	(FAQ withdrawn in February 2020)			

No.	Main Board Rules	GEM Rules	Query	Response
33.	13.68	17.90	A director has a service contract without a fixed term which is terminable by either party by giving notice of 6 months. Is shareholders' approval necessary as the contract may be for a term that may exceed 3 years?	The purpose of the rule is to ensure that the issuer is not unduly burdened by service contracts that are for an inordinate length or which require heavy compensation or lengthy notice for early termination. Such contingent liabilities may be significant, in which case, shareholders' approval must be obtained for these service contracts. In this case, we consider that there is no significant commitment on the issuer as there is no specific term and only six months notice is required. Therefore, the contract does not need to be approved by shareholders.
34.	13.68	17.90	Is shareholders' approval required for a director's service contract with a fixed term of 3 years, but requiring a notice of 6 months before termination after the fixed term? The contract does not mention the compensation for early termination of the fixed term. It expressly states however that, if the contract is terminated when the remaining term is more than 1 year, compensation in dollars for the remaining term will be needed. Will this contract require shareholders' approval?	<p>Yes, shareholders' approval is required because the service contract is of a fixed term of 3 years and a notice of 6 months is required for termination after the fixed term and accordingly, the service contract may endure for more than 3 years.</p> <p>In addition, the service contract will be subject to shareholders' approval because it expressly provides for a scenario where more than 1 year's remuneration will be payable in order to terminate the contract.</p>
35.	13.68	17.90	<p>Is an "employment contract" with a director the same as a director's "service contract"?</p> <p>Should it be treated as a notifiable transaction?</p>	Yes. We would expect an "employment contract" with a director to contain the terms upon which he is to provide his services to issuer, and subject to the same disclosure and shareholders' approval requirements as for service contracts.

No.	Main Board Rules	GEM Rules	Query	Response
				<p>Directors' employment contracts are not subject to the requirements of notifiable transactions.</p> <p><i>Updated in February 2020</i></p>
36.	13.70	17.46B	<p>What are the disclosure requirements for the announcement or supplementary circular an issuer is required to publish if, after the despatch of the notice of a general meeting, it received a shareholder's notice to propose a person for election as a director at the general meeting in respect of the nomination?</p>	<p>The issuer must publish details of the candidate as required under Main Board Rule 13.51(2) (GEM Rule 17.50(2)) in an announcement or supplementary circular. Further, the issuer must also assess whether it is necessary to adjourn the meeting of the election to give shareholders at least 10 business days to consider the relevant information disclosed in the announcement or supplementary circular.</p> <p><i>Updated in February 2020</i></p>
37.	13.74	17.46A	<p>Must an issuer disclose the biographical details of directors to be elected at a general meeting in the notice or another circular, if such information is already disclosed in the annual report and the election is to be proposed at an Annual General Meeting ("AGM")?</p>	<p>No. It is not necessary to send another circular if details are included in the annual report provided that the annual report is the accompanying circular, and the notice has made clear reference to the annual report such that there is no doubt as to where the information can be found and to which director reference is being made.</p> <p>However, for appointments at times other than at the AGM, reference to the annual report is not acceptable. This is because (i) certain shareholders as at the date when</p>

No.	Main Board Rules	GEM Rules	Query	Response
				<p>relevant disclosure is made may not have been so when the circular or notice of AGM was sent; and (ii) there may have been changes in the information previously published which will need to be updated.</p> <p><i>Updated in February 2020</i></p>
38.	(FAQ withdrawn on 30 September 2009)			
39.	(FAQ withdrawn in February 2020)			
40.	(FAQ withdrawn on 30 September 2009)			
41.	(FAQ withdrawn on 30 September 2009)			
42.	(FAQ withdrawn on 30 September 2009)			
43.	(FAQ withdrawn on 30 September 2009)			
44.	14.07(1)	19.07(1)	Can negative goodwill be excluded from total assets in calculating the asset ratio?	<p>No. Negative goodwill must be included in accordance with SSAP 30 which states that negative goodwill should be presented as a deduction from the assets of the reporting enterprise, in the same balance sheet classification as goodwill.</p> <p><i>Updated in February 2020</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
45.	14.07(1)	19.07(1)	On the acquisition of an asset, say an equity interest, will the total assets test be applicable?	Yes. If the book value of an asset to the vendor is unknown, the issuer must use the value of assets to be recorded in its books as the numerator of the total assets test. This would be the consideration payable, together with liabilities assumed (if any).
46.	14.07(3)	19.07(3)	If an issuer disposes of listed investment, should it adopt the turnover of the listed investment or the dividend income from the listed investment as the numerator of the revenue test?	If the target is not consolidated in the accounts of the issuer, it should use the dividend income as the numerator. If the target is consolidated in the books of the issuer, it should use the revenue as disclosed in the annual report as the numerator.
47.	14.07(4)	19.07(4)	How should the market capitalisation be calculated?	<p>Normally, in the absence of changes to the number of shares in issue, market capitalisation will be calculated using the simple average closing price for the five business days immediately before the date of the transaction and the number of shares in issue at the date of the transaction. Where such calculation produces anomalous results, for example, if there have been issues of new securities during the five business day period immediately before the transaction, the Exchange may require issuers to submit alternative computation that provides the most meaningful basis of calculation of their market capitalisation.</p> <p><i>Updated in February 2020</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
48.	14.07(4)	19.07(4)	Should the total market capitalisation include preference shares and warrants when calculating the consideration ratio?	<p>No. Market capitalisation is based on equity shares only and should not include preference shares and warrants.</p> <p><i>Updated in February 2020</i></p>
49.	14.07(4) 19A.38A	19.07(4) 25.34C	How is the market capitalisation calculated if the issuer has unlisted shares or shares listed in other markets, such as H- Share issuers with A and B Shares?	<p>The market capitalisation for the purpose of the consideration test is calculated with reference to the total issued share capital of the issuer.</p> <p>(i) For an H-Share issuer with A and/or B Share listed on a PRC stock exchange, the market value of A and/or B shares is calculated based on the average closing price of the respective shares for the five business days preceding the date of the transaction.</p> <p>(ii) For an H-issuer which has unlisted shares, the market value of unlisted shares is calculated by reference to the average closing price of its H shares for the five business days preceding the date of the transaction.</p> <p>(iii) For an issuer dually listed on the Exchange and an overseas stock exchange and has one class of listed shares traded on both exchanges, its market capitalisation is calculated based on th total number of issued shares and</p>

No.	Main Board Rules	GEM Rules	Query	Response
				<p>the average closing price of the shares quoted on the Exchange for the five business days preceding the date of the transaction.</p> <p><i>(Updated in October 2020)</i></p>
50.	14.14	19.14	<p>For the purpose of computing the revenue test of a banking company, which figure should be used for the denominator?</p>	<p>Net interest income plus other operating income. Operating income is as defined in FD-1: Financial Disclosure by Locally Incorporated Authorized Institutions in the Supervisory Policy Manual issued by the HKMA.</p> <p><i>Updated in February 2020</i></p>
51.	(FAQ withdrawn on 30 September 2009)			
52.	14.16(1)	19.16(1)	<p>How should the total assets be adjusted if the dividend has a scrip alternative and subsequently scrip shares are issued?</p> <p>If the dividend is proposed by a listed subsidiary of the issuer, is any adjustment required to be made by the issuer to its total assets?</p>	<p>A scrip dividend will not have an impact on total assets. However the issuer may not at the relevant time be able to determine to what extent scrip shares will be issued. Therefore where adjustment is being made for the proposed dividend, the issuer should assume that the total dividend is paid in cash unless the number of scrip shares to be issued is known.</p> <p>Adjustment to total assets should be made to the extent that the total consolidated assets will be reduced by the dividend to be paid by the subsidiary.</p>

No.	Main Board Rules	GEM Rules	Query	Response
				<i>Updated in February 2020</i>
53.	14.20	19.20	If an issuer has incurred a net loss in its latest published accounts, is it still required to submit a five tests calculation for all potential notifiable transactions?	Yes, the issuer is still required to submit a five tests calculation, together with alternative tests in respect of profit test (such as a gross profit comparison) for our consideration. <i>Updated in February 2020</i>
54.	(FAQ withdrawn on 1 April 2015)			
55.	(FAQ withdrawn in February 2020)			
56.	(FAQ withdrawn on 30 September 2009)			
57.	(FAQ withdrawn on 30 September 2009)			
58.	(FAQ withdrawn on 2 July 2010)			
59.	(FAQ withdrawn on 1 July 2014)			
60.	(FAQ withdrawn on 30 September 2009)			
61.	(FAQ withdrawn on 30 September 2009)			
62.	(FAQ withdrawn on 30 September 2009)			
63.	(FAQ withdrawn on 30 September 2009)			

No.	Main Board Rules	GEM Rules	Query	Response
64.	Appendix 3	Appendix 3	Do issuers incorporated <u>outside</u> of Hong Kong need to amend their articles of association to comply with the new requirements of Appendix 3?	Yes, the requirements of Appendix 3 apply to <u>all</u> issuers, wherever incorporated.
65.	(FAQ withdrawn in February 2020)			
66.	(FAQ withdrawn on 30 September 2009)			
67.	13.51(1)	17.50(1)	An issuer is required to issue an announcement on any <u>proposed</u> amendment to its memorandum or articles association. Is an issuer required to publish further announcements regarding adoption of such proposed amendments?	No. However, issuers are encouraged to do so to promote transparency. <i>Updated in February 2020</i>
68.	Appendix 3, Paragraphs 4(4) and 4(5)	Appendix 3, Paragraphs 4(4) and 4(5)	In respect of the nomination of a person for election as a director, when does the nominee have to submit his confirmation of acceptance of such nomination?	The confirmation of acceptance of the nomination should be submitted to the issuer at the same time as the nomination of the person for election as a director. <i>Updated in February 2020</i>
69.	Appendix 3, Paragraphs 4(4) and 4(5)	Appendix 3, Paragraphs 4(4) and 4(5)	Can issuers accept a notice to propose a person for election as a director earlier than the day after the despatch of the notice of the general meeting appointed for the election?	Yes. Provided that such is permitted under the issuer's articles of association or equivalent document and the applicable law. One of the purposes of paragraph 4(5)

No.	Main Board Rules	GEM Rules	Query	Response
				<p>is to stipulate the earliest date which may be used for calculating the minimum 7-day period required under paragraph 4(4). It is not intended to prevent issuers from accepting a notice.</p> <p>An issuer should itself formulate the appropriate wording for any proposed amendment to its articles of association or equivalent document for the purpose of complying with paragraph 4(5).</p> <p><i>Updated in February 2020</i></p>
70.	(FAQ withdrawn in February 2020)			
71.	Appendix 10	5.46 to 5.68	The issuer has followed a code of conduct regarding securities transaction by directors for many years. Must the issuer formally approve such Code of Conduct by resolution of the directors?	<p>Yes, or else the code cannot be said to have been adopted.</p> <p><i>Updated in February 2020</i></p>
72.	Appendix 10	5.46 to 5.68	<p>A director enters into a share dealing agreement prior to the black-out period.</p> <p>Will the director be considered as dealing in shares if completion of the share dealing agreement takes place during the black-out</p>	<p>No, provided that the pricing is fixed (in monetary terms) before the black-out period and completion takes place pursuant to the original terms of the agreement.</p>

No.	Main Board Rules	GEM Rules	Query	Response
			period?	
73.	Appendix 10 Paragraph 7(d)(iv)	5.52(4)(d)(iv)	Is the exercise of share options by a director under an employee share option scheme pursuant to Chapter 17 (where the Exchange has approved the listing of the shares granted under the scheme) subject to the black-out period in respect of dealings by directors?	No, it is not subject to the black-out period provided that a director exercise his share options at the pre- determined exercise price, being a fixed monetary amount, determined at the time the options were granted. However, unless there are exceptional circumstances, a director may not otherwise deal in shares during the black-out period. One should also keep in mind that, under the Model Code, <u>granting</u> options is subject to the same black-out period.
74.	Appendix 10 R.A.3		Is a Main Board issuer who publishes its quarterly results on a voluntary basis also subject to black-out period for its directors' dealings?	Yes, under rule A.3 of Appendix 10, it is subject to the same black-out period as for publication of annual or interim results.
75.	Appendix 10 R.A.6	5.61	Does a director need to notify the chairman or a designated director in writing before his spouse and minor child deals in the issuer's shares?	Yes, dealings by the spouse or any minor child will be treated as dealings of the director. <i>Updated in February 2020</i>

No.	Main Board Rules	GEM Rules	Query	Response
76.	Appendix 10 R.A.6	5.61	If the spouse of a director is living apart from the director and deals in shares of the issuer, is the director responsible for non-reporting of dealings by the spouse?	Yes. However, the Exchange, in deciding what (if any) follow-up action is appropriate in any particular case, will consider all the relevant facts and circumstances.
77.	Appendix 16 Paragraph 24	18.28	For disclosure of directors' emoluments on a named basis, is it necessary to disclose the comparative figures for the corresponding previous period?	Yes.
78.	(FAQ withdrawn on 30 September 2009)			
79.	(FAQ relocated to Series 17 No. 24B on 28 December 2018)			
80.	(FAQ withdrawn on 30 September 2009)			
81.	(FAQ withdrawn on 30 September 2009)			
82.	Practice Note 15 Paragraph 3(c)	N/A	Under paragraph 3(c) of Practice Note 15, a listed issuer (the " Parent ") proposing to spin-off its subsidiary (the " Newco ") for listing must on its own, excluding its interest in Newco, independently satisfy the requirements of Chapter 8. Practice Note 15 only refers to the profits requirements in Chapter 8. Can the Parent meet the qualification by	Yes.

No.	Main Board Rules	GEM Rules	Query	Response
			satisfying one of the other two tests in rule 8.05 (the market capitalisation/ revenue/ cash flow test and the market capitalisation/ revenue test) in respect of its remaining business?	