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# MAIN BOARD RULE AMENDMENTS RELATING TO DEFINITIONS OF CONNECTED PERSON AND ASSOCIATE

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## Chapter 1

### GENERAL

#### INTERPRETATION

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

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**“associate”** has the meaning in rule 14A.06(2)

...

**“close associate”**

(a) in relation to an individual means:—

(i) his spouse;

(ii) any child or step-child, natural or adopted, under the age of 18 years of ~~such the~~ individual or of his spouse (together with (a)(i) above, the “family interests”);

(iii) the trustees, acting in their capacity as ~~such~~ trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object; and

(iv) [Repealed 3 June 2010]

(v) any company in the equity capital of which he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or ~~such other any amount as may from time to time be~~ specified in the Takeovers Code as ~~being~~ the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company ~~which is its subsidiary~~; and

- (b) in relation to a company means:—
- (i) ~~any other company which is its subsidiary or holding company or is a fellow subsidiary of any such its holding company;~~
  - (ii) the trustees, acting in their capacity as ~~such~~ trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company's knowledge) a discretionary object; and
  - (iii) [Repealed 3 June 2010]
  - (iv) any other company in the equity capital of which the company, ~~such other companies referred to in (b)(i) above~~ its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or ~~such other any amount as may from time to time be~~ specified in the Takeovers Code as ~~being~~ the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company ~~which is its subsidiary;~~
- (c) ~~Insofar as a~~ depository ~~is acting in its capacity as a~~ depository for depository receipts, ~~it shall is not be~~ treated as an close associate of holders of the depository receipts for the purposes of (a) and (b) merely ~~by reason of the fact that~~ because it is holding the shares of the issuer for the benefit of the holders of the depository receipts.

*Notes* (1) ~~This definition is modified in the context of connected transactions by virtue of rules 14A.11, 14A.12 and 14A.12A.~~

(2) ~~In the case of~~ For a PRC issuer, its directors, supervisors, chief executive and substantial shareholders, the definition ~~is amended to have~~ has the same meaning as in rule 19A.04.

...

**“connected person”**

has the meaning in rule 14A.06(7)

*Note:* The definition includes a person deemed to be connected by the Exchange under rule 14A.07(6) only for the purpose of Chapter 14A.

...

**“core connected person”**

- (a) ~~in relation to~~for a company other than a PRC issuer, ~~and other than or any subsidiaries~~ of a PRC issuer, means a director, chief executive or substantial shareholder of ~~such~~the company or any of its subsidiaries or ~~an~~a close associate of any of them; and
- (b) ~~in relation to~~for a PRC issuer means a director, supervisor, chief executive or substantial shareholder of the PRC issuer or any of its subsidiaries or ~~an~~close associate of any of them

*Note — This definition is modified in the case of Chapter 14A only by the provisions of rules 14A.11, 14A.12 and 14A.12A.*

...

**“family interests”**

the same meaning as in (a)(ii) of the definition of “close associate”

**“IFA group”**

- (a) the independent financial adviser;
- (b) ~~any~~its holding company ~~of the independent financial adviser~~;
- (c) any subsidiary of ~~any~~its holding company ~~of the independent financial adviser~~;
- (d) any controlling shareholder of:
  - (i) the independent financial adviser; or
  - (ii) ~~any~~its holding company ~~of the independent financial adviser~~,which controlling shareholder is not, itself, a holding company of the independent financial adviser; and
- (e) any close associate of any controlling shareholder referred to in paragraph (d) ~~above~~

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## Chapter 2

### GENERAL

#### INTRODUCTION

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##### Material interest in a transaction

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2.16 For the purpose of determining whether a shareholder has a material interest, relevant factors include:

- (1) whether the shareholder is a party to the transaction or arrangement or a close associate ~~(as defined in rule 1.01)~~ of such a party; and

- (2) whether the transaction or arrangement confers upon the shareholder or his close associate a benefit (whether economic or otherwise) not available to the other shareholders of the issuer.

There is no benchmark for materiality of an interest nor may it necessarily be defined in monetary or financial terms. The materiality of an interest is to be determined on a case by case basis, having regard to all the particular circumstances of the transaction concerned.

*Note: The references to “close associate” shall be changed to “associate” where the transaction or arrangement is a connected transaction under Chapter 14A.*

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## Chapter 3

### GENERAL

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

##### Directors

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3.13 In assessing the independence of a non-executive director, the Exchange will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the director:—

- (1) ...
- (2) has received an interest in any securities of the listed issuer as a gift, or by means of other financial assistance, from a core connected person or the listed issuer itself. However, subject to Note 1 to rule 3.13(1), the director will still be considered independent if he receives shares or interests in securities from the listed issuer or its subsidiaries (but not from core connected persons) as part of his director's fee or pursuant to share option schemes established in accordance with Chapter 17;
- (3) is a director, partner or principal of a professional adviser which currently provides or has within one year immediately prior to the date of his proposed appointment provided services, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:
  - (a) the listed issuer, its holding company or any of their respective subsidiaries or core connected persons; or
  - (b) any person who was a controlling shareholder or, where there was no controlling shareholder, any person who was the chief executive or a director (other than an independent non-executive director), of the listed issuer within one year immediately prior to the date of the proposed appointment, or any of their close associates;
- (4) has a material interest in any principal business activity of or is involved in any material business dealings with the listed issuer, its holding company or their respective subsidiaries or with any core connected persons of the listed issuer;
- (5) ...
- (6) ...

- (7) is, or has at any time during the two years immediately prior to the date of his proposed appointment been, an executive or director (other than an independent non-executive director) of the listed issuer, of its holding company or of any of their respective subsidiaries or of any core connected persons of the listed issuer; and

*Note: ...*

- (8) is financially dependent on the listed issuer, its holding company or any of their respective subsidiaries or core connected persons of the listed issuer.

An independent non-executive director shall submit to the Exchange a written confirmation which must state:

- (a) his independence as regards each of the factors referred to in rule 3.13(1) to (8);
- (b) his past or present financial or other interest in the business of the issuer or its subsidiaries or any connection with any core connected person (as such term is defined in the Exchange Listing Rules) of the issuer, if any; and
- (c) that there are no other factors that may affect his independence at the same time as the submission of his declaration and undertaking in Form B or H of Appendix 5.

...

*Note:...*

## Chapter 3A

### GENERAL

#### SPONSORS AND COMPLIANCE ADVISERS

##### Definitions and Interpretations

3A.01 In this Chapter:

- (1) ...

...

- (9) “sponsor group” means:

- (a) a sponsor;
- (b) ~~any its holding company of the sponsor;~~
- (c) any subsidiary of ~~any its holding company of the sponsor;~~
- (d) any controlling shareholder of:
- (i) the sponsor; or
- (ii) ~~any its holding company of the sponsor,~~

~~which controlling shareholder is not, itself, a holding company of the sponsor; and~~

- (e) any close associate of any controlling shareholder referred to in paragraph (d) above; and

...

...

3A.07 At least one sponsor of a new applicant must be independent of ~~the new applicant~~. The sponsor is required to demonstrate to the Exchange its independence or lack of independence and declare in accordance with the terms set out in Appendix 17.

A sponsor is not independent if any of the following circumstances exist at any time from the date of submission ~~to the Exchange~~ of a listing application on Form A1 ~~in accordance with rule 9.03~~ up to the date of listing:

- (1) the sponsor group and any director or close associate of a director of the sponsor collectively holds or will hold, directly or indirectly, more than 5% of the issued share capital of the new applicant, except where that holding arises as a result of an underwriting obligation;
- (2) the fair value of the direct or indirect current or prospective shareholding of the sponsor group in the new applicant exceeds or will exceed 15% of the net equity shown in the latest consolidated financial statements of the sponsor's ultimate holding company or, where there is no ultimate holding company, the sponsor;
- (3) any member of the sponsor group or any director or close associate of a director of the sponsor is ~~a~~ close associate or core connected person of the new applicant;

(3A) the sponsor is a connected person of the new applicant;

- (4) 15% or more of the proceeds raised from the initial public offering of the new applicant are to be applied directly or indirectly to settle debts due to the sponsor group, except where those debts are on account of fees payable to the sponsor group under its engagement ~~by the new applicant~~ for sponsorship services;
- (5) the aggregate of:
  - (a) amounts due to the sponsor group from the new applicant and its subsidiaries; and
  - (b) all guarantees given by the sponsor group on behalf of the new applicant and its subsidiaries,exceeds 30% of the total assets of the new applicant;

- (6) the aggregate of:
  - (a) amounts due to the sponsor group from:
    - (i) the new applicant;
    - (ii) ~~the new applicant's~~ its subsidiaries;
    - (iii) ~~any~~ its controlling shareholder ~~of the new applicant~~; and
    - (iv) any close associates of ~~any~~ its controlling shareholder ~~of the new applicant~~; and

- (b) all guarantees given by the sponsor group on behalf of:
  - (i) the new applicant;
  - (ii) ~~the new applicant's~~ subsidiaries;
  - (iii) ~~any~~ its controlling shareholder ~~of the new applicant~~; and
  - (iv) any close associates of ~~any~~ its controlling shareholder ~~of the new applicant~~;

exceeds 10% of the total assets shown in the latest consolidated financial statements of the sponsor's ultimate holding company or, where there is no ultimate holding company, the sponsor;

- (7) the fair value of the direct or indirect shareholding of:
  - (a) a director of the sponsor;
  - (b) a director of ~~any~~ its holding company ~~of the sponsor~~;
  - (c) ~~an~~ close associate of a director of the sponsor; or
  - (d) ~~an~~ close associate of a director of ~~any~~ its holding company ~~of the sponsor~~

in the new applicant exceeds HKD 5 million;
- (8) an employee or director of the sponsor who is directly engaged in providing the ~~subject~~ sponsorship services to the new applicant, or ~~an~~ his close associate ~~of this employee or director~~, holds or will hold shares in the new applicant or has or will have a beneficial interest in shares in ~~the new applicant~~;
- (9) any of the following has a current business relationship with the new applicant or a director, subsidiary, holding company or substantial shareholder of the new applicant, which would be reasonably considered to affect the sponsor's independence in performing its duties as set out in this Chapter, or might reasonably give rise to a perception that the sponsor's independence would be so affected, except where that relationship arises under the sponsor's engagement ~~by the new applicant for the purpose of providing to provide~~ sponsorship services:
  - (a) any member of the sponsor group;
  - (b) an employee of the sponsor who is directly engaged in providing the ~~subject~~ sponsorship services to the new applicant;
  - (c) ~~an~~ close associate of an employee of the sponsor who is directly engaged in providing the ~~subject~~ sponsorship services to the new applicant;
  - (d) a director of any member of the sponsor group; or
  - (e) ~~an~~ close associate of a director of any member of the sponsor group;

...

...

## Chapter 7

### EQUITY SECURITIES

#### METHODS OF LISTING

...

##### Introduction

...

- 7.16 An issuer should apply to the Exchange as early as possible to obtain confirmation that an introduction will be an appropriate method of listing. The application must state the names and holdings of the ten largest beneficial holders of the securities (if known) and the total number of holders. A copy of the share register may be required by the Exchange. In addition, particulars of the holdings of the directors and their close associates must be included. If such approval to the method of listing is given, it does not necessarily mean that listing for the securities will ultimately be granted.

...

## Chapter 8

### EQUITY SECURITIES

#### QUALIFICATIONS FOR LISTING

...

- 8.08 There must be an open market in the securities for which listing is sought. This will normally mean that:—

- (1) (a) ...  
(b) ...

*Notes:* (1) ...

- (2) *Where the percentage has fallen below the minimum, the Exchange may refrain from suspension if the Exchange is satisfied that there remains an open market in the securities and either:*

(a) *the shortfall in the prescribed percentage arose purely from an increased or newly acquired holding of the listed securities by a person who is, or after such acquisition becomes, a core connected person only because he is a substantial shareholder of the issuer and/or any of its subsidiaries. Such substantial shareholder must not be a controlling shareholder or single largest shareholder of the issuer. He must also be independent of the issuer, directors and any other substantial shareholders of the issuer and must not be a director of the issuer. If the substantial shareholder has any representative on the board of directors of the issuer, he must demonstrate that ~~such~~ the representation is on a non-executive basis. In general, the Exchange would expect this to apply to holdings of the listed securities by institutional investors with a wide spread of investments other than in the listed securities concerned. Holdings of the listed securities by venture capital funds which have been involved in the management of the issuer before and/or after listing would not qualify. ~~It is the responsibility of~~ The issuer ~~to~~ must provide sufficient information to the Exchange to demonstrate the independence of such substantial shareholder and to inform the Exchange of any change in circumstances which would affect his independence as soon as it becomes aware of such change; or*

(b) ...

...

8.10 (1) Where a new applicant has a controlling shareholder with an interest in a business apart from the applicant's business which competes or is likely to compete, either directly or indirectly, with the applicant's business (the "excluded business"):

(a) the applicant's listing document must prominently disclose the following:

(i) ...;

...

(v) ...;

Note: See also paragraph 27A of Appendices IA and IE.

...

...

8.24 The Exchange will not regard any core connected person of the issuer as a member of "the public" or shares held by ~~a connected person~~ him as being "in public hands". In addition the Exchange will not recognise as a member of "the public":—

(1) any person whose acquisition of securities has been financed directly or indirectly by a core connected person;

(2) any person who is accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of the issuer registered in his name or otherwise held by him.

...

## Chapter 9

### EQUITY SECURITIES

#### APPLICATION PROCEDURES AND REQUIREMENTS

...

9.09 There must be no dealing in the securities for which listing is sought by any core connected person of the issuer (except as permitted by rule 7.11):

- (a) in the case of listing application by listed issuers, from the time of submission of the formal application for listing until listing is granted; and
- (b) in the case of a new applicant, from 4 clear business days before the expected hearing date until listing is granted.

The directors of the issuer for whose securities listing is being sought shall forthwith notify the Exchange of any such dealing or suspected dealing of which they become aware. If any of the directors or their close associates are found to have engaged in such dealing, the application may be rejected.

...

## Chapter 10

### EQUITY SECURITIES

#### RESTRICTIONS ON PURCHASE AND SUBSCRIPTION

...

10.03 Directors of the issuer and their close associates may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant, whether in their own names or through nominees if the following conditions are met:—

- (1) that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and
- (2) that the minimum prescribed percentage of public shareholders required by rule 8.08(1) is achieved.

...

10.06 (1) (a) ...

(b) the issuer must send to its shareholders an Explanatory Statement (at the same time as the notice of the relevant shareholders' meeting) containing all the information reasonably necessary to enable those shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the purchase by the issuer of shares including the information set out below:—

(i) ...

...

(v) a statement of the name of any directors, and to the best of the knowledge of the directors having made all reasonable enquiries, any close associates of the directors, who have a present intention, in the event that the proposal is approved by shareholders, to sell shares to the issuer, or an appropriate negative statement;

...

(ix) a statement as to whether or not any core connected persons of the issuer have notified the issuer that they have a present intention to sell shares to the issuer or have undertaken not to sell any of the shares held by them to the issuer, in the event that the issuer is authorised to make purchases of shares;

...

(2) Dealing Restrictions

(a) ...

...

(c) an issuer shall not knowingly purchase its shares from a core connected person and a core connected person shall not knowingly sell shares to the issuer, on the Exchange;

...

...

## Chapter 13

### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

...

##### **Minimum prescribed public holdings and other listings**

13.32 (1) ...

...

(4) Where the percentage has fallen below the minimum, the Exchange may refrain from suspension if ~~the Exchange~~ it is satisfied that there remains an open market in the securities and either:

- (a) the shortfall in the prescribed percentage arose purely from an increased or newly acquired holding of the listed securities by a person who is, or after such acquisition becomes, a core connected person only because he is a substantial shareholder of the issuer and/or any of its subsidiaries. Such substantial shareholder must not be a controlling shareholder or single largest shareholder of the issuer. He must also be independent of the issuer, directors and any other substantial shareholders of the issuer and must not be a director of the issuer. If the substantial shareholder has any representative on the board of directors of the issuer, he must demonstrate that such representation is on a non-executive basis. In general, the Exchange would expect this to apply to holdings of the listed securities by institutional investors with a wide spread of investments other than in the listed securities concerned. Holdings of the listed securities by venture capital funds which have been involved in the management of the issuer before and/or after listing would not qualify. It is the responsibility of the issuer to provide sufficient information to the Exchange to demonstrate the independence of such substantial shareholder and to inform the Exchange of any change in circumstances which would affect his independence as soon as it becomes aware of such change; or
- (b) ...

...

...

**Voting of directors at board meetings**

13.44 Subject to the exceptions set out in paragraphs (1), (2), (4) and (5) of Note 1 to Appendix 3, a director of the issuer shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest nor shall he be counted in the quorum present at the meeting.

*Note: The references to “close associate” shall be changed to “associate” where the transaction or arrangement is a connected transaction under Chapter 14A.*

...

**Independent financial advisers**

13.80 An independent financial adviser appointed under rule 13.39(6)(b) or rule 19.05(6)(a)(iii) must take all reasonable steps to satisfy itself that:

- (1) ...

...

*Notes: 1. For the purposes of this rule, the Exchange expects that the reasonable steps an independent financial adviser will typically perform will include the following:*

- (a) ...

...

- (d) *without limiting the generality of paragraph (c) above, in relation to any third party expert providing an opinion or valuation relevant to the transaction:*

- (i) *interviewing the expert including as to its expertise and any current or prior relationships with the issuer, other parties to the transaction, and core connected persons of either the issuer or another party to the transaction;*

...

...

13.84 An independent financial adviser must be independent from any issuer for whom it acts. An independent financial adviser is not independent if any of the following circumstances exist as at the time of making the declaration required by rule 13.85(1):

- (1) the IFA group and any director or close associate of a director of the independent financial adviser holds, directly or indirectly, in aggregate more than 5% of the issued share capital of the issuer, another party to the transaction, or ~~an~~ close associate or core connected person of the issuer or another party to the transaction;
  - (1A) in the case of a connected transaction, the independent financial adviser holds more than 5% of the issued share capital of an associate of another party to the transaction;
- (2) any member of the IFA group or any director or close associate of a director of the independent financial adviser is ~~an~~ close associate or core connected person of the issuer or another party to the transaction;
  - (2A) in the case of a connected transaction, the independent financial adviser is an associate of another party to the transaction;
- (3) any of the following exceeds 10% of the total assets shown in the latest consolidated financial statements of the independent financial adviser's ultimate holding company or, where there is no ultimate holding company, the independent financial adviser:
  - (a) the aggregate of:
    - (i) amounts due to the IFA group from:
      - (A) the issuer;
      - (B) ~~the issuer's~~ its subsidiaries;
      - (C) ~~any its~~ controlling shareholder ~~of the issuer~~; and
      - (D) any close associates of ~~any its~~ controlling shareholder ~~of the issuer~~; and
    - (ii) all guarantees given by the IFA group on behalf of:
      - (A) the issuer;
      - (B) ~~the issuer's~~ its subsidiaries;
      - (C) ~~any its~~ controlling shareholder ~~of the issuer~~; and
      - (D) any close associates of ~~any its~~ controlling shareholder ~~of the issuer~~;

- (b) the aggregate of:
    - (i) amounts due from the IFA group to:
      - (A) the issuer;
      - (B) ~~the issuer's~~ its subsidiaries; and
      - (C) ~~any~~ its controlling shareholder ~~of the issuer~~; and
    - (ii) all guarantees given on behalf of the IFA group by:
      - (A) the issuer;
      - (B) ~~the issuer's~~ its subsidiaries; and
      - (C) ~~any~~ its controlling shareholder ~~of the issuer~~;
  - (c) the aggregate of:
    - (i) amounts due from the IFA group to any of the following (referred to in this rule as "the Other Parties"):
      - (A) another party to the transaction;
      - (B) any holding company of another party to the transaction;
      - (C) any subsidiary of any holding company of another party to the transaction;
      - (D) any controlling shareholder of:
        - (1) another party to the transaction; or
        - (2) any holding company of another party to the transaction; ~~which controlling shareholder is not, itself, a holding company of another party to the transaction~~; and
      - (E) any close associate of any controlling shareholder referred to in paragraph (D) above; and
    - (ii) all guarantees given by any of the Other Parties on behalf of the IFA group; and
  - (d) the aggregate of:
    - (i) amounts due to the IFA group from any of the Other Parties; and
    - (ii) all guarantees given by the IFA group on behalf of any of the Other Parties;
- (4) any of the following has a current business relationship with the issuer or another party to the transaction, or a director, subsidiary, holding company or substantial shareholder of the issuer or another party to the transaction, which would be reasonably considered to affect the independent financial adviser's independence in performing its duties as set out in the Exchange Listing Rules, or might reasonably give rise to a perception that the independent financial adviser's independence would be so affected, ~~save and~~ except where that relationship arises ~~pursuant to~~ under the independent financial adviser's appointment ~~for the purpose of providing~~ to provide the ~~subject~~ advice:

- (a) any member of the IFA group;
  - (b) an employee of the independent financial adviser who is directly engaged in providing the ~~subject~~ advice to the issuer;
  - (c) a close associate of an employee of the independent financial adviser who is directly engaged in providing the ~~subject~~ advice to the issuer;
  - (d) a director of any member of the IFA group; or
  - (e) a close associate of a director of any member of the IFA group;
- (5) within 2 years prior to making the declaration pursuant to rule 13.85(1):
- (a) a member of the IFA group has served as a financial adviser to:
    - (i) the issuer or its subsidiaries;
    - (ii) another party to the transaction or its subsidiaries; or
    - (iii) a core connected person of the issuer or another party to the transaction; or
  - (b) without limiting paragraph (a), an employee or a director of the independent financial adviser who is directly engaged in providing the subject advice to the issuer:
    - (i) was employed by or was a director of another firm that served as a financial adviser to any of the entities referred to at paragraphs (a)(i) to (a) (iii) above; and
    - (ii) in that capacity, was directly engaged in the provision of financial advice to the issuer or another party to the transaction;

...

## Chapter 14

### EQUITY SECURITIES

#### NOTIFIABLE TRANSACTIONS

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

...

*Notes: 1*

*2 Any shareholder and his close associates must abstain from voting if such shareholder has a material interest in the transaction.*

...

...

14.46 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 and will not accept written approval for the transaction.

...

14.49 A very substantial disposal and a very substantial acquisition 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.

...

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) 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.

*Note: The prohibition against the outgoing controlling shareholder and his close associates voting in favour of a resolution approving an injection of assets does not apply where the decrease in the outgoing controlling shareholder's shareholding is solely the result of a dilution through the issue of new shares to the incoming controlling shareholder rather than any disposal of shares by the outgoing controlling shareholder.*

...

14.63 A circular for a major transaction, very substantial disposal or very substantial acquisition and a listing document for a reverse takeover sent by a listed issuer to holders of its listed securities must:—

- (1) ...
- (2) if voting or shareholders' approval is required:
  - (a) ...
  - ...
  - (d) contain a statement that any shareholder with a material interest in a proposed transaction and his close associates will abstain from voting on resolution(s) approving that transaction; and

...

14.66 A circular relating to a major transaction must contain: -

- (1) ...
- ...
- (8) information as to the competing interests (if any) of each of the directors and any proposed director of the issuer and his/her close associates (as if each of them were treated as a controlling shareholder under rule 8.10);

...

...

## Chapter 15A

### STRUCTURED PRODUCTS

#### Preliminary

15A.24A An issuer shall not (either directly or indirectly) offer commission rebates or other incentive schemes in respect of structured products that it has issued. A member of an issuer's group that is a securities dealer may offer commission rebates or other incentives to its customers provided that:—

(i) ...

...

(iv) ...

*Note: The Exchange will require issuers to provide periodic declarations of compliance with this requirement by the issuer and its close associates. Any failure by an issuer to comply with this requirement may render that issuer no longer suitable to issue structured products on the Exchange.*

...

## Chapter 17

### EQUITY SECURITIES

#### SHARE OPTION SCHEMES

17.03 The scheme document must include the following provisions and/or provisions as to the following (as the case may be):

(1) ...

...

(4) the maximum entitlement of each participant under the scheme;

*Note: Unless approved by shareholders in the manner set out in this note to rule 17.03(4), ... . Where any further grant of options to a participant would result in the securities issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. ... .*

*~~“Associate” for this purpose shall have the meaning ascribed to it in rule 1.01 of Chapter 1 in relation to any director, chief executive or substantial shareholder (being an individual).~~*

- 17.04 (1) In addition to the shareholders' approval set out in note (1) to rule 17.03(3) and the note to rule 17.03(4), each grant of options to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates, under a scheme of the listed issuer or any of its subsidiaries must comply with the requirements of this rule 17.04(1). Each grant of options to any of these persons must be approved by independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
  - (b) (where the securities are listed on the Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by shareholders of the listed issuer. The listed issuer must send a circular to the shareholders. The grantee, his associates and all All-core connected persons of the listed issuer must abstain from voting in favour at such general meeting.

...

...

## Chapter 19A

### EQUITY SECURITIES

#### ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

...

##### Definitions and Interpretation

19A.04 The following terms, save where the context otherwise requires, have the following meanings:-

**"close associate"**

for a PRC issuer:—

- (a) in relation to an individual means:—
  - (i) his spouse;
  - (ii) any child or step-child, natural or adopted, under the age of 18 years of ~~such the~~ individual or of his spouse (together with (a)(i) above, the "family interests");
  - (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object;
  - (iv) [Repealed 3 June 2010]

- (v) any company (including an equity joint venture established under PRC law) in the equity capital of which he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or ~~such other any amount as may from time to time be~~ specified in applicable PRC law as ~~being~~ the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this~~other~~ company ~~which is its subsidiary~~; and
  - (vi) any company with which or individual with whom he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested in a cooperative or contractual joint venture (whether or not constituting a separate legal person) under PRC law where he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together directly or indirectly have 30% (or ~~such other any amount as may from time to time be~~ specified in applicable PRC law as ~~being~~ the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more interest either in the capital and/or assets contributions to such joint venture or in the contractual share of profits or other income from such joint venture; and
- (b) in relation to a company means:—
- (i) ~~any other company which is its subsidiary or holding company or is a fellow subsidiary of any such its~~ holding company;
  - (ii) the trustees, acting in their capacity as ~~such~~ trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company's knowledge) a discretionary object;

- (iii) [Repealed 3 June 2010]
- (iv) any other company (including an equity joint venture established under PRC law) in the equity capital of which the company, ~~such other companies referred to in (b)(i) above~~ its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or ~~such other any amount as may from time to time be~~ specified in applicable PRC law as being the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company~~which is its subsidiary~~; and
- (v) any other company with which or any individual with whom the company, ~~such other companies referred to in (b)(i) above~~ its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b) (ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested in a cooperative or contractual joint venture (whether or not constituting a separate legal person) under PRC law where it, ~~such other companies referred to in (b)(i) above~~ its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together directly or indirectly have 30% (or ~~such other any amount as may from time to time be~~ specified in applicable PRC law as being the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more interest either in the capital and/or assets contributions to such joint venture or in the contractual share of profits or other income from such joint venture.

~~Note 1 This definition is modified in the context of connected transactions by virtue of rules 14A.11, 14A.12 and 14A.12A.~~

~~Note 2 Under rule 19A.19 the Exchange may from time to time determine that certain persons or entities should be treated as connected person of a PRC issuer for the purposes of the connected transaction provisions of Chapter 14A.~~

## Chapter 19B

### EQUITY SECURITIES

#### DEPOSITARY RECEIPTS

...

19B.03 For the purpose of the Exchange Listing Rules, a depositary shall not be:

- (a) an “associate” or “close associate”;
- (b) a “controlling shareholder”;
- (c) a “substantial shareholder”; or
- (d) excluded from being treated as a member of the public under rule 8.24,

merely by reason of the fact that it is holding shares of an issuer as depositary for the benefit of depositary receipt holders.

...

## Chapter 21

### INVESTMENT VEHICLES

#### INVESTMENT COMPANIES

...

21.04 The qualifications for listing contained in Chapter 8 shall apply, save for rules 8.05, 8.06, 8.07, 8.08(1) 8.09, 8.10 and 8.21 and save as otherwise agreed with the Exchange. However, the Exchange may be prepared to waive the guideline regarding the minimum number of shareholders which is set out in rule 8.08(2) in appropriate circumstances (for example, where the securities of the investment company are not marketed to the public in Hong Kong). The following additional conditions will apply in respect of an application made under this Chapter:—

- (1) ...
- ...
- (3) the investment company and its management must normally be bound, either in its articles of association or trust deed or equivalent constitutive document or in such other manner as is acceptable to the Exchange, to ensure compliance at all times while it remains listed under this Chapter with the following requirements:—
  - (a) that the investment company will not either on its own or in conjunction with any core connected person take legal, or effective, management control of underlying investments and that in any event the investment company will not own or control more than 30% (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in any one company or body;

...

(d) that any custodian, management company, any of their core connected persons and every director of any investment company and management company is prohibited from voting their own shares at, or being part of a quorum for, any meeting to the extent that they have or any of their close associates has, a material interest in the business to be conducted; and

...

(4) it will normally be a condition of the listing that, in the case of a newly formed investment company, at the conclusion of the initial offering of shares or units or, in the case of an existing investment vehicle, at the time of listing, no person shall control 30 per cent. (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the votes exercisable at any general meeting of the investment company. For these purposes, the interests of all the close associates of a shareholder and any persons acting in concert (within the meaning of the Takeovers Code) with a shareholder will be aggregated;

...

...

21.13 The Listing Agreement for an investment company will state that the provisions of Chapter 14 will not apply to investment companies save for rule 14.06(3), 14.06(4), 14.34 to 14.37, 14.38A, 14.40 to 14.46, 14.48 to 14.53 (for very substantial disposals), 14.58, 14.60 to 14.63, 14.66 to 14.68, 14.70 to 17.77, 14.85 and 14.86. ~~For the purposes of rule 14A.13, any investment manager, investment adviser or custodian (or any connected person thereof) shall be regarded as a connected person of the issuer.~~

...

## The Stock Exchange of Hong Kong Limited

### Practice Note 4

to the Rules Governing the Listing of Securities  
(the “Exchange Listing Rules”)

Issued pursuant to rule 1.06 of the Exchange Listing Rules

#### ISSUE OF NEW WARRANTS TO EXISTING WARRANTHOLDERS

...

##### 4. The Exchange’s New Requirements

Where an issuer proposes to issue new warrants to existing warrant holders or to alter the exercise period or the exercise price of existing warrants, the Exchange will not approve the issue of the new warrants or the proposed alteration in the terms of existing warrants, unless the following requirements additional to rule 15.02(2) are met:—

- a) ...
- ...
- d) the relevant circulars to shareholders and warrant holders must both contain details of any dealings by the issuer, and, where relevant, the manager of the issue of new warrants, or any of their respective close associates and any dealings by any core connected persons of the issuer (so far as is known to the issuer or any director of the issuer after making reasonable enquiries) in the existing warrants and the underlying securities to which the warrants relate, during the period commencing three months prior to the announcement of the warrant proposal and ending on the date of the relevant circular. If such disclosure reveals that any such persons have been actually dealing in either the warrants or the underlying securities the Exchange reserves the right not to approve the issue of the new warrants or the proposed alteration in the terms of the existing warrants;

...

...

## The Stock Exchange of Hong Kong Limited

### Practice Note 21

to the Rules Governing the Listing of Securities  
(the “Exchange Listing Rules”)

Issued pursuant to rule 1.06 of the Exchange Listing Rules

### DUE DILIGENCE BY SPONSORS IN RESPECT OF INITIAL LISTING APPLICATIONS

...

14. Typical due diligence inquiries in relation to the expert sections of the listing document include:

- a) ...
- ...
- g) where the standard of independence is not set by a relevant professional body, obtaining written confirmation from the expert that it is independent from the new applicant and its directors and controlling shareholder(s), and being satisfied that there is no cause to inquire further about the truth of this confirmation. This would include confirming that the expert does not have a direct or indirect material interest in the securities or assets of the new applicant, its core connected persons, or any close associate of the new applicant beyond that allowed by rule 3A.07.

...

# Appendix 1

## Contents of Listing Documents

### Part A

#### Equity Securities

##### **In the case where listing is sought for equity securities of an issuer no part of whose share capital is already listed**

...

- 27A. Details of any controlling shareholder of the issuer, including the name or names of any such controlling shareholder, the amount of its or their interest in the share capital of the issuer and a statement explaining how the issuer is satisfied that it is capable of carrying on its business independently of the controlling shareholder (including any close associate thereof) after listing, and particulars of the matters that it relied on in making such statement.

...

28. (1) (a) ...
- (b) additional information in respect of major customers (meaning, other than in relation to consumer goods or services, the ultimate customer, and in relation to consumer goods or services the ultimate wholesaler or retailer as the case may be) and suppliers (meaning the ultimate supplier of items which are not of a capital nature) as follows:—
- (i) ...
- ...
- (v) a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the issuers' share capital) in the suppliers or customers disclosed under (i) to (iv) above or if there are no such interests a statement to that effect;

...

...

# 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**

...

26. (1) (a) ...

(b) additional information in respect of major customers (meaning, other than in relation to consumer goods or services, the ultimate customer, and in relation to consumer goods or services the ultimate wholesaler or retailer as the case may be) and suppliers (meaning the ultimate supplier of items which are not of a capital nature) as follows:—

(i) ...

...

(v) a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the issuers' share capital) in the suppliers or customers disclosed under (i) to (iv) above or if there are no such interests a statement to that effect;

...

...

# Appendix 1

## Contents of Listing Documents

### Part E

#### Depositary receipts

##### **In the case where listing is sought for depositary receipts of an issuer no part of whose share capital is already listed**

...

27A. Details of any controlling shareholder of the issuer, including the name or names of any such controlling shareholder, the amount of its or their interest in the share capital of the issuer and a statement explaining how the issuer is satisfied that it is capable of carrying on its business independently of the controlling shareholder (including any close associate thereof) after listing, and particulars of the matters that it relied on in making such statement.

...

28. (1) (a) ...
- (b) additional information in respect of major customers (meaning, other than in relation to consumer goods or services, the ultimate customer, and in relation to consumer goods or services the ultimate wholesaler or retailer as the case may be) and suppliers (meaning the ultimate supplier of items which are not of a capital nature) as follows:—
- (i) ...
- ...
- (v) a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the issuers' share capital) in the suppliers or customers disclosed under (i) to (iv) above or if there are no such interests a statement to that effect;
- ...
- ...

## 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 receipt representing some part of its share capital are already listed**

- ...
22. (1) (a) ...
- (b) additional information in respect of major customers (meaning, other than in relation to consumer goods or services, the ultimate customer, and in relation to consumer goods or services the ultimate wholesaler or retailer as the case may be) and suppliers (meaning the ultimate supplier of items which are not of a capital nature) as follows:—
- (i) ...
- ...
- (v) a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the issuers' share capital) in the suppliers or customers disclosed under (i) to (iv) above or if there are no such interests a statement to that effect;
- ...
- ...

# Appendix 3

## Articles of Association

### As regards Directors

4. (1) That, subject to such exceptions specified in the articles of association as the Exchange may approve, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest nor shall he be counted in the quorum present at the meeting.  
(Note 1)

...

### NOTES

*Note 1 Articles of Association will be acceptable to the Exchange if they provide exceptions from the requirements of paragraph 4(1) of this Appendix in respect of the following matters:—*

- (1) *the giving of any security or indemnity either:—*
- (a) *to the director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the issuer or any of its subsidiaries; or*
  - (b) *to a third party in respect of a debt or obligation of the issuer or any of its subsidiaries for which the director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;*
- (2) *any proposal concerning an offer of shares or debentures or other securities of or by the issuer or any other company which the issuer may promote or be interested in for subscription or purchase where the director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;*
- (3) *any proposal concerning any other company in which the director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the director or his close associate(s) is/are beneficially interested in shares of that company, provided that the director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;*
- (4) *any proposal or arrangement concerning the benefit of employees of the issuer or its subsidiaries including:—*
- (a) *the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the director or his close associate(s) may benefit; or*
  - (b) *the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors, his close associates and employees of the issuer or any of its subsidiaries and does not provide in respect of any director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and*

- (5) *any contract or arrangement in which the director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the issuer by virtue only of his/their interest in shares or debentures or other securities of the issuer.*

...

## **Appendix 5**

### **Marketing Statement**

#### **Form D**

...

I hereby certify that to the best of my knowledge and belief, none of the securities placed by me have been placed with the directors of the issuer or their close associates or any existing shareholder of the issuer or any nominee of any of the foregoing.

...

## **Appendix 6**

### **Placing Guidelines**

**– for –**

### **Equity Securities**

#### **New Applicants**

1. ...

...

5. No allocations will be permitted to:-

(1) ...

(2) directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in rules 10.03 and 10.04 are fulfilled; or

...

...

## Appendix 10

### Model Code for Securities Transactions by Directors of Listed issuers

...

#### Rules

...

4. Where a director is a sole trustee, the provisions of this code will apply to all dealings of the trust as if he were dealing on his own account (unless the director is a bare trustee and neither he nor any of his close associates is a beneficiary of the trust, in which case the provisions of this code will not apply).
5. Where a director deals in the securities of a listed issuer in his capacity as a co-trustee and he has not participated in or influenced the decision to deal in the securities and is not, and none of his close associates is, a beneficiary of the trust, dealings by the trust will not be regarded as his dealings.

...

## Appendix 13

### Part B

#### THE CAYMAN ISLANDS

...

#### Section 1

##### ADDITIONAL REQUIREMENTS FOR THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF ISSUERS INCORPORATED OR OTHERWISE ESTABLISHED IN THE CAYMAN ISLANDS

...

5. **As to directors**
  - (1) ...
  - (2) The articles of association shall restrict the making of loans to directors and their close associates and shall import provisions at least equivalent to the provisions of Hong Kong law prevailing at the time of the adoption of the articles of association.

...

## Appendix 14

### CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

...  
A. **DIRECTORS**

A.1 **The Board**

**Principle**

...

**Code Provisions**

...

- A.1.7 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:* ...

...

...

## Appendix 16

### DISCLOSURE OF FINANCIAL INFORMATION

...

31. A listed issuer shall include information in respect of major customers (meaning, other than in relation to consumer goods or services, the ultimate customer, and in relation to consumer goods or services the ultimate wholesaler or retailer as the case may be) and suppliers (meaning the ultimate supplier of items which are not of a capital nature) as follows:—

(1) ...

...

- (5) a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the listed issuer's share capital) in the suppliers or customers disclosed under (1) to (4) above or if there are no such interests a statement to that effect;

...

...