



CHARLTONS
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Obligations of HKEX-listed Company Directors

September 2025

Regulatory Framework

1 Statutory Obligations

Principally under the Securities and Futures Ordinance (**SFO**):

- a) Disclosure of Inside Information (Part XIVA)
- b) Insider Dealing & Market Misconduct (Parts XIII & XIV)
- c) Disclosure of Interests (Part XV)

Also, prospectus regime under the Companies (Winding Up & Miscellaneous Provisions) Ordinance (**CWUMPO**)

3 SFC Codes

SFC Takeovers and Share Buybacks Codes

2 Non-statutory Listing Rule Obligations

Set by HKEX as frontline regulator of listed companies (**Listcos**)

Disciplinary sanctions for breach (e.g., Listco delisting & removal of directors)

4 Common Law

Directors' fiduciary duties & duties of skill, care & diligence



Directors' Responsibility for Listco's Compliance

Collective Responsibility

Directors collectively responsible for ensuring Listco's compliance with HKEX Listing Rules (MB LR 3.08)

Individual Responsibility

Each director individually responsible for Listco's regulatory compliance

Appointment Oversight

Directors must ensure any alternate directors appointed comply with HKEX Listing Rules

Obligation to Cooperate in Investigations

MB LR 3.09C: Directors must cooperate in any SFC or HKEX investigation

Core Fiduciary Duties

Act in Good Faith

Act honestly and in the company's best interests

Avoid Conflicts

Prevent actual and potential conflicts of interest



Proper Purpose

Exercise powers for their intended purpose

Asset Protection

Be accountable for company assets

Minimum Standard - s.465 Companies Ordinance



Objective Test

Standard expected of a reasonably diligent person with general knowledge, skill & experience that may reasonably be expected of a director of the Listco



Subjective Test

Standard expected of a reasonably diligent person with the director's **actual** knowledge, skill & experience



Listco Directors with Special Skills

Accountant/ lawyer directors will owe a higher standard of care, skill & diligence

Application to Non-Hong Kong Companies

Listing Rule 3.08 Extension

Directors of non-Hong Kong companies listed on HKEX must comply with the Hong Kong standard of skill, care & diligence

Listing Rule 3.08 extends HK Companies Ordinance standards to overseas-incorporated Listcos (despite it not applying directly to offshore cos)

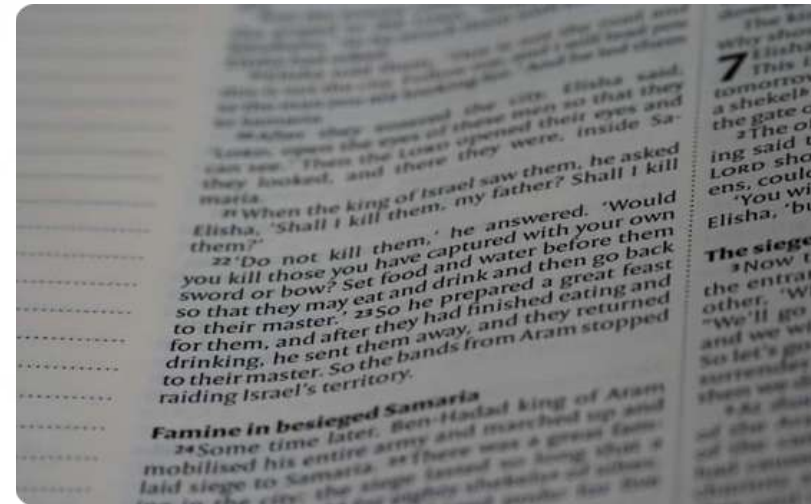


Consequences of Listing Rule Breach



Private Reprimand

For minor Listing Rule breaches



Public Criticism or Censure

Public statements involving criticism or formal censure for more significant violations



Statement of Prejudice

For serious or repeated breaches, public statement that an individual being a director/senior manager is prejudicial to investors' interests



Suitability Statement

Statement declaring a director to be unsuitable to hold office in named Listco

Consequences of Listing Rule Breach



Denying the Facilities of the Market

E.g., preventing Listco accessing market to raise capital/or any action requiring HKEX approval/authorisation (e.g., rights issue)

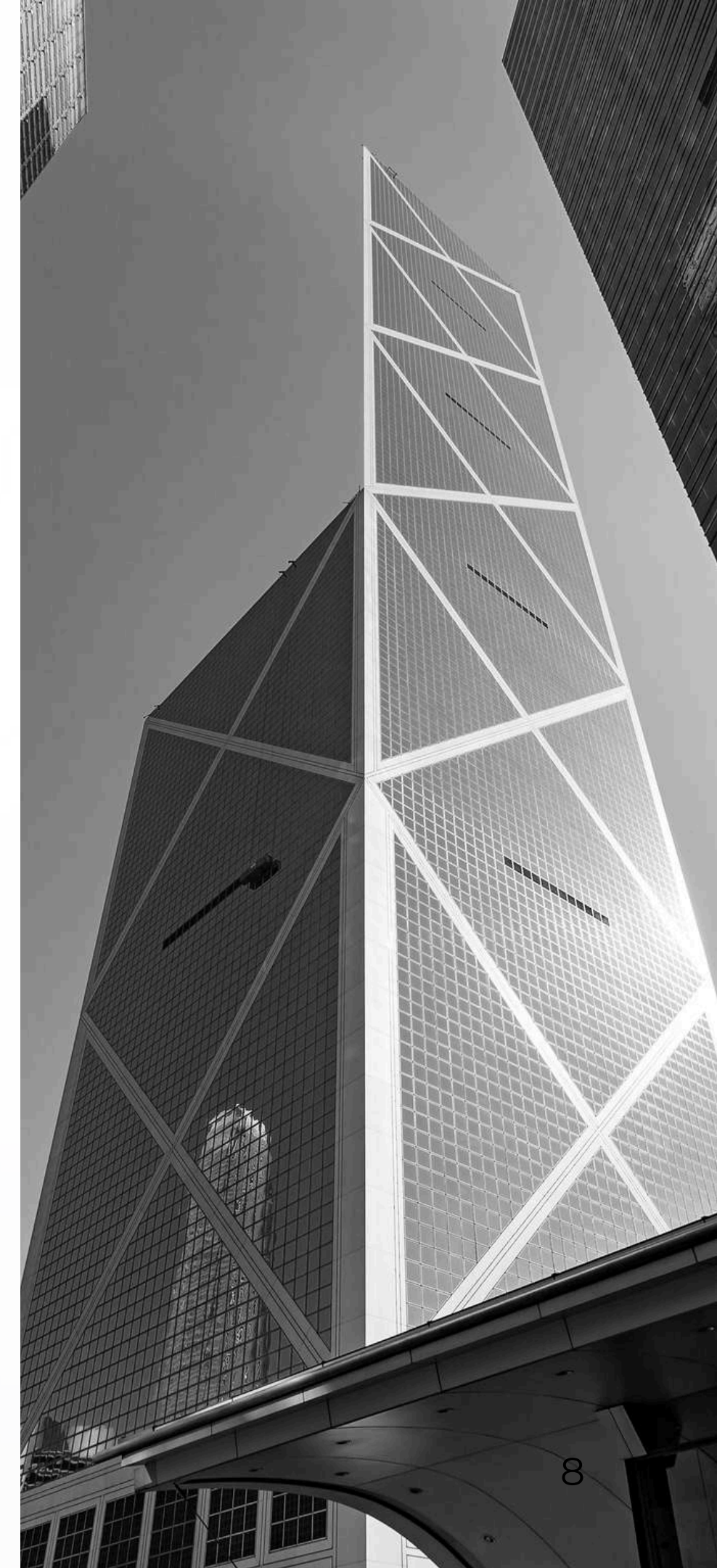


Remedial Action or Regulatory Reporting

Require rectification within a set timeframe or report conduct to SFC/overseas regulatory authority



Trading Suspension or Cancellation





Trading Suspension & Listing Cancellation (MB LR 6.01)



Insufficient Public Shareholdings

HKEX can suspend trading/cancel listing if insufficient publicly held shares



Insufficient Operations

Listco lacks sufficient operations & assets to warrant continued listing under LR13.24



Unsuitability

Cancellation if HKEX considers Listco/its business is no longer suitable for listing

HKEX Further Consultation on Ongoing Public Float (August 2025)

HKEX consulting on alternatives to current practice of automatically suspending Listcos for public float shortfall



Director Disqualification under s. 214 SFO

15 years

Maximum Disqualification

3

Key Triggering
Conditions

Oppressive conduct, fraud, or unfair
prejudice to shareholders

HKEX Notification of Directors' Contact Details

1 Appointment

Must provide contact details to HKEX upon appointment

2 Changes

Must update HKEX of change in contact details within 28 days at latest

3 Post-Directorship

Obligation to update HKEX of change to contact details continues for 3 years after person ceases to be director



Listco Disclosure Obligations

Public Disclosure

Information required to be published in announcements on HKEX & Listco websites

Pre-vetted Announcements

MBLR 13.52 announcements requiring HKEX pre-vetting

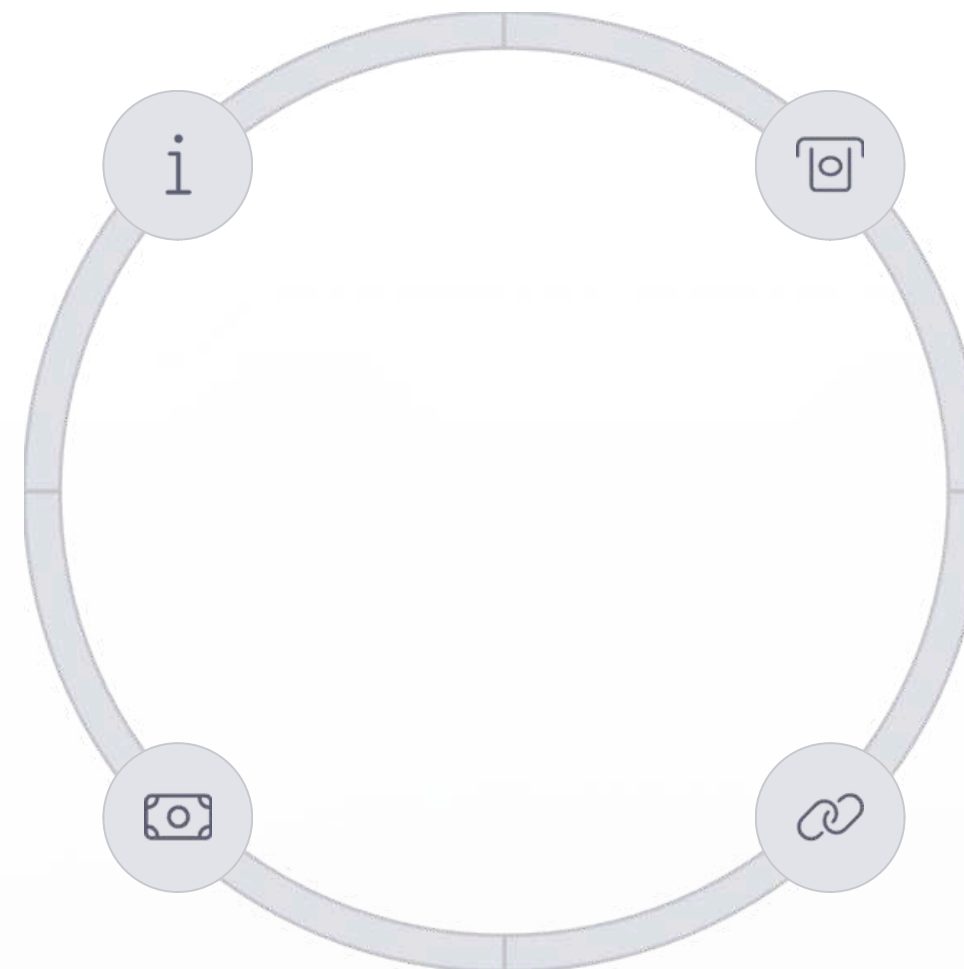
Key Announcement Requirements

Inside Information

Inside Information requiring disclosure under SFO Part XIVA

Financial Assistance

Advances to 3rd parties/ affiliated companies



Notifiable Transactions

Transactions meeting specific size thresholds under LR Ch. 14

Connected Transactions

Dealings with connected persons under LR Ch. 14A

Board Meeting & Financial Results Announcements



7 Clear Business Days' Notice

of board meetings where:

- dividend decisions will be made
- financial results approved for publication (LR13.43)



Financial Results Approval

Preliminary annual & half-year financial results must be announced on business day following board approval (LR13.49)

Company Change Announcements

Corporate Structure Changes

- Company name changes
- Constitutional document alterations
- Registered address changes
- Share registrar changes

Business & Operational Changes

- Business nature changes
- Winding-up or liquidation events
- Listing withdrawal
- Website address changes



Announcements re. Directors/CE

- Announcements required on appointment of a new director, chief executive and (for H share issuers) supervisors
- MB LR 13.51(2) - detailed information requirements for announcements including:
 - full name and position with Listco/its subsidiaries
 - other Listco directorships on any stock exchange and professional qualifications
 - proposed length of service
 - any relationship with directors, senior management or substantial or controlling shareholder of Listco
 - public sanctions
 - interests in Listco's shares
 - person's emoluments and basis for determination
 - insolvency-related matters

Independent Non-Executive Directors (INEDs) (MB LR 3.10(2))

33%

Minimum Board Proportion

3

Minimum Number

1

**With professional
accounting/financial expertise**

- Announcement required if INED requirements not met
- Listco must re-comply within 3 months

INED Independence Assessment Factors (MB LR 3.13)

- + Listco shareholding of >1% of Listco's issued shares
- + Receipt of Listco securities as gift/financial assistance from Core Connected Persons or Listco
- + Director, partner or employee of professional adviser advising listed group or Core Connected Person or controlling shareholder of Listco in previous 2 years
- + Material business dealings with listed group or Core Connected Persons in previous year
- + Connection to Listco's director, CEO or substantial shareholder in previous 2 years
- + Acted as director or executive of listed group or Core Connected Person in previous 2 years
- + Director is financially dependent on the listed group or a Core Connected Person



Company Secretary Requirements: MB LR 3.28

Qualified Professional

Member of HK Chartered Governance Institute, qualified solicitor/barrister, or certified accountant

Experience Alternative

Person with relevant experience making them capable of acting as company secretary

Experience Assessment

Exchange considers employment period, rule familiarity, training & overseas professional qualifications

Co. Secretary Waivers

- 1 — HKEX may grant waiver for non-qualified person for a limited period
- 2 — Waiver conditional on joint appointment with qualified person
- 3 — When waiver expires, Listco must demonstrate co. secretary gained relevant experience during waiver period



Compliance Adviser Announcements

1

Announcement of compliance adviser's **resignation or termination**

2

Announcement of **new compliance adviser** within 3 months of resignation/termination

Announcements of Change

- Announcements required for changes to directors, chief executives or supervisors (LR13.51(2))
- Must include reasons for resignation or removal
- Further announcements of changes to information relating to integrity or suitability



Securities-Related Announcements

New Issues

Announcements of new securities issues

1

2

Part XIVA SFO Compliance

Inside information announcement
requirement (where applicable)

Issue of securities for cash under general mandate

Announcement required on trading day
following board resolution

4

3

Transaction Rules

Notifiable & connected transaction
requirements

Next Day Disclosure Requirements

Changes in number of Listco's issued shares that must **always be disclosed next day** are:

Changes in number of Listco's shares or treasury shares after a:

- placing, consideration issue, open offer, rights issue, bonus issue, scrip dividend or on-exchange sale of treasury shares
- buy-back of shares, issue of new shares, transfer of treasury shares on a share award or option exercise by a director under a Ch. 17-approved share award or share option scheme
- Listco director's exercise of any other share option
- capital re-organisation
- change of Listco's issued shares or treasury shares not within above categories

Next Day Disclosure of:

- Share issue under Ch. 17 share award or option to non-director
- Non-director's exercise of non-scheme share option
- Warrant exercise
- Conversion of convertible securities
- Share buy-back or cancellation of repurchased or redeemed shares
- Cancellation of treasury shares

IF:

- Event (with other LR13.25A(2)(b) events since last disclosure) causes change of $\geq 5\%$ in no. of Listco's shares OR
- Listco must disclose a change under LR13.25A(2)(a) & there is an undisclosed change under LR13.25A(2)(b)





Monthly Returns

Monthly returns must:

- disclose changes in Listco's shares (including treasury shares), debt securities & securitised instruments
- be submitted through HKEX-EPS by 5th business day after each month end
- be submitted even if no change from previous monthly return

Confirmations in Next Day/Monthly Returns

Listco confirmations required for new share issues, treasury share sales/transfers reported in next day or monthly returns:

- issue or sale has been authorised by the board
- all money due has been received
- all listing criteria met
- any conditions for listing/permission to deal have been met



Public Float-related Announcements

- If Listco's public float falls below required minimum (typically 25%), Listco must:
 - immediately inform HKEX
 - publish announcement
 - take steps to re-comply
- HKEX typically suspends trading if public float falls below 15%
- HKEX August 2025 Further Consultation on Open Market Requirement is seeking views on:
 - ongoing public float requirement
 - alternatives to automatic suspension of Listcos for breach of public float

Announcements Requiring HKEX Pre-vetting (MB LR 13.52(2))

- Very Substantial Acquisitions (**VSA**s), Very Substantial Disposals (**VSD**s), Extreme Transactions & Reverse Takeovers
- Transactions/arrangements w/in 12 monts of listing causing fundamental change in Listco's principal business
- Cash companies



Listco Documents Requiring HKEX Pre-vetting (MB LR 13.52(1))

- Listing documents
- Circulars re. cancellation of listing of listed securities
- Circulars for Notifiable Transactions requiring shareholders' approval
- Connected Transaction circulars
- Circulars seeking shareholders' approval of:
 - securities issues requiring a specific mandate;
 - transactions requiring independent shareholders' approval & IFA's advice
 - Chapter 17 share option or award schemes
- Circulars/offer documents relating to takeovers

Annual Report Requirements (MB LR 13.46(1))



must be sent 21 days before AGM



latest by 4 months after financial year-end



in English & Chinese



Interim and Quarterly Reporting

> Half-Year Reports

Mandatory half-year reports must be sent within 3 months of the 6-month period end

> Quarterly Reporting

Quarterly reporting encouraged under Corporate Governance Code Recommended Best Practice D.1.5

If published, quarterly results should be issued within 45 days of quarter-end

Companies discontinuing quarterly reporting must announce reasons

A vertical image on the left side of the slide showing a nighttime cityscape. Tall buildings are illuminated with blue and white lights. In the foreground, a road with a guardrail shows long, curved light trails from vehicles, suggesting motion blur. The overall scene is a vibrant urban night view.

Preliminary Results Announcements

1

must publish preliminary results announcements on business day after board approval

2

publication on websites of Listco and HKEX



Consequences of Late Financial Reporting (MB LR 13.50)

Trading Suspension

HKEX normally suspends trading for late financial information publication

Resumption Condition

Suspension remains until required financial information is published

Disclaimer Consequences

Suspension also applies if auditor issues or indicates disclaimer/adverse opinion

Board Meeting Requirements

- 1 Regular Meetings**
At least four times per year at quarterly intervals (CP C.5.1)
- 2 Conflict of Interest**
Directors cannot vote or count towards quorum if they or close associate have material interest
- 3 Listco's monthly management accounts & management updates (CP D.1.2)**
Directors should receive Listco's monthly management accounts and updates & should request them from management if not provided



General Meeting Notice Requirements

Minimum Notice Periods

- ≥ 21 days of Annual General Meetings
- ≥ 14 days of other general meetings
- Notice to be given to all shareholders

Voting Requirements

- Poll voting mandatory on all resolutions
- Chairman may exempt procedural matters
- Shareholders with "material interest" must abstain

Model Code for Securities Dealings

1

Mandatory Adoption

Companies must adopt rules no less stringent than Model Code in LR Appendix C3

2

Blackout Periods

Prohibit dealing before publication of financial results

3

Inside Information

Prohibits dealing when in possession of inside information



Inside Information Disclosure Obligation

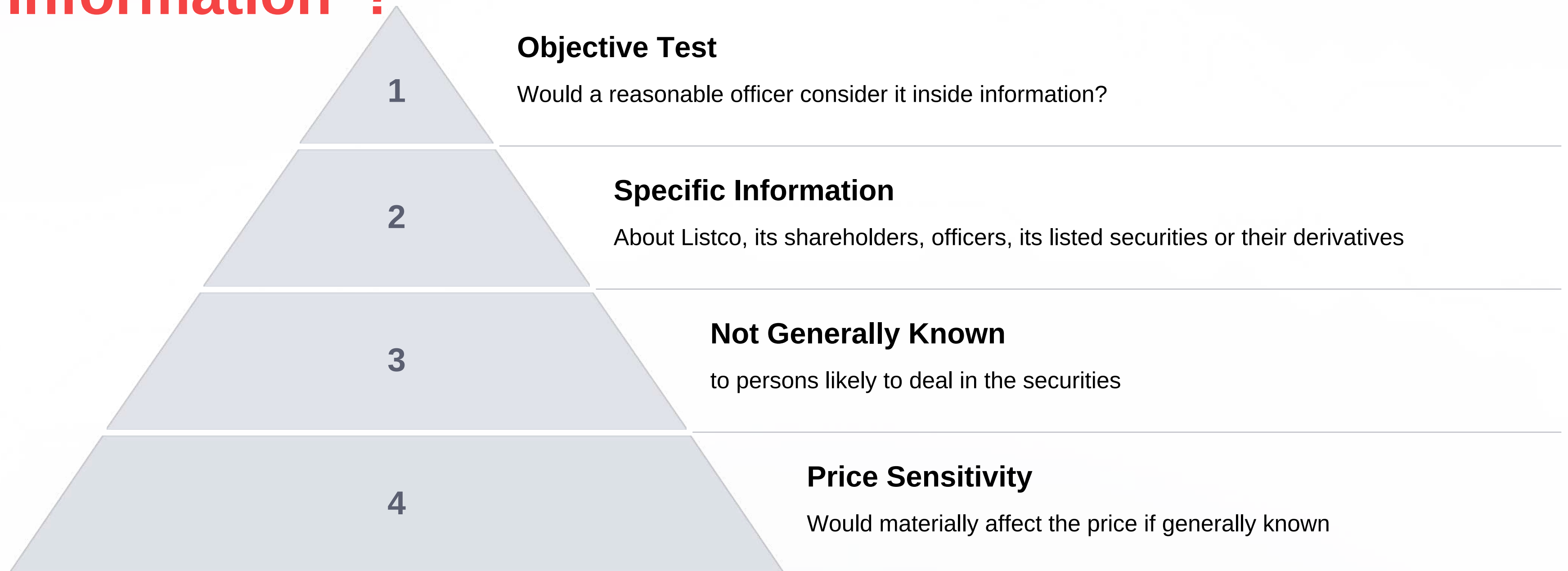
Statutory Basis: Part XIVA SFO establishes obligation

Disclosure Timing: as soon as reasonably practicable after information comes to their knowledge

Enforcement Body: Market Misconduct Tribunal (**MMT**)

SFC Guidelines on Disclosure of Inside Information

What is "Inside Information"?



Understanding "Specific Information"



"Likely to have a material effect on" listed securities's price - requires a "real prospect" of the information affecting the price (MMT in 2024 decision re. CEO of China Forestry Holding Company Limited)

Information must be capable of being identified, defined & unequivocally expressed

Must contain particulars about a transaction, event or matter that allow it to be identified & understood

Information may be specific even if:

- Precise details are not yet known
- Transaction is merely contemplated
- Terms are still being negotiated

Disclosure Timing Requirements

1

Knowledge Acquisition

When information comes to knowledge of company officer - i.e. when inside information has, or ought reasonably to have, come to knowledge of Listco officer in performing duties

Officer = Listco directors, managers with management responsibility, company secretaries, anyone involved in management

2

Reasonable Person Test

When a reasonable officer would consider it inside information

3

Disclosure Obligation

Must disclose as soon as reasonably practicable but can take steps e.g. taking legal advice

4

Can issue Holding Announcement

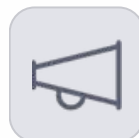
to clarify details and likely impact of event

Inside Information Disclosure Method



Equal Access

Must provide equal, timely and effective public access



Announcement Requirement

Disclosure via announcement on Exchange and company websites
(LR 2.07C)

SFO Safe Harbours for Non-Disclosure

SFO s. 307D 4 safe harbours:

- Disclosure prohibited by HK Court Order or Law
- Incomplete proposals/negotiations
- Trade secrets - confidential proprietary information potentially causing significant harm
- Liquidity support from central bank



Conditions for Safe Harbours

For a listed company to rely on SFO safe harbours



Confidentiality Preservation

Listco must take reasonable precautions to preserve strict confidentiality of information



Market Confidentiality Maintained

Confidentiality must actually be maintained—if confidentiality is lost, safe harbour ceases to apply



Reasonable Monitoring

Directors must continuously monitor whether conditions for the safe harbour still apply & be prepared to make immediate disclosure if conditions change

The SFC can grant waivers if HK disclosure of inside information prohibited under offshore court order or laws

Responsibilities of officers

- Officers (including directors and alternate directors) must implement proper safeguards, systems and procedures to prevent statutory disclosure breaches
 - Officers may be personally liable for intentional, reckless, or negligent conduct
- SFC Guidelines - responsibilities of officers
 - All officers must ensure that the systems and procedures are reviewed periodically
 - Officers with executive role must oversee proper implementation of procedures ensure the detection and remedy of material deficiencies promptly





Penalties for Disclosure Breaches

HK\$8M

Maximum Fine

Per company, director or chief executive

5 years

Disqualification

Maximum director disqualification period

100%

Cost Recovery

MMT can order payment of investigation
& proceedings costs

Requirement to Compensate

- A Listco or its officer found to have breached the statutory disclosure obligation may have to compensate those who suffer financial loss as a result
- A determination by the MMT is admissible in evidence in these proceedings



False Market Obligations

- Listco must contact HKEX if it believes there's likely to be a false market in its securities
- If HKEX makes enquiry re. unusual movements in securities' price or trading volume, Listco must:
 - announce information to clarify situation or
 - publish LR 13.10(2) announcement that, having made reasonable enquiries, Listco's directors are unaware of information relevant to unusual movements, information necessary to avoid a false market, or inside information requiring disclosure
- If announcement cannot be made promptly, and Listco believes there's discloseable inside information, that there's likely to be a false market or that confidentiality has been lost in relation to inside information exempt from disclosure or subject to a waiver application, it must request a trading halt or suspension