



香港交易及結算所有限公司  
HONG KONG EXCHANGES AND CLEARING LIMITED  
(Incorporated in Hong Kong with limited liability)  
(Stock Code: 388)

---

# **DIRECTOR'S HANDBOOK**

**February 2023**

# CONTENTS

---

<b>CHAPTER</b>		<b>PAGE(S)</b>
1.	Glossary of Terms	1 - 2
2.	Executive Summary	3 - 9
3.	The Board	10 - 14
4.	Guidelines on Conduct	15 - 26
5.	Restrictions on Securities Dealings	27 - 32
6.	Connected Transactions	33 - 43
7.	Corporate Governance Code	44 - 49
8.	Governance Structure	50 - 58

## Chapter 1 GLOSSARY OF TERMS

---

<b>“AA”</b>	<b>Articles of Association</b>
<b>“Board”</b>	<b>Board of Directors of HKEX</b>
<b>“CG Code”</b>	<b>The Corporate Governance Code set out in Appendix 14 to the Listing Rules</b>
<b>“Companies Ordinance”</b>	<b>The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)</b>
<b>“Director(s)”</b>	<b>Director(s) of any companies within the Group unless otherwise specified in this Handbook</b>
<b>“Elected Director”</b>	<b>HKEX’s Director elected by the Shareholders at general meetings</b>
<b>“Government Appointed Director”</b>	<b>HKEX’s Director appointed by the Financial Secretary of Hong Kong pursuant to Section 77 of the SFO</b>
<b>“Group” or “HKEX Group”</b>	<b>HKEX and its subsidiaries</b>
<b>“HKEX” or the “Company”</b>	<b>Hong Kong Exchanges and Clearing Limited</b>
<b>“HKFE”</b>	<b>Hong Kong Futures Exchange Limited</b>
<b>“Hong Kong”</b>	<b>Hong Kong Special Administrative Region of the People’s Republic of China</b>
<b>“HKCC”</b>	<b>HKFE Clearing Corporation Limited</b>
<b>“HKSCC”</b>	<b>Hong Kong Securities Clearing Company Limited</b>
<b>“INED(s)”</b>	<b>Independent Non-executive Director(s) of HKEX</b>
<b>“Inside Information Provisions”</b>	<b>Part XIVA of the SFO</b>
<b>“LME”</b>	<b>The London Metal Exchange</b>
<b>“LME Clear”</b>	<b>LME Clear Limited</b>
<b>“LMEH”</b>	<b>LME Holdings Limited</b>
<b>“Listing Rules”</b>	<b>The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</b>
<b>“Model Code”</b>	<b>Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules</b>

<b>“MOU for listing”</b>	<b>Memorandum of Understanding for listing of HKEX</b>
<b>“Nomination and Governance Committee”</b>	<b>Nomination and Governance Committee of HKEX</b>
<b>“OTC Clear”</b>	<b>OTC Clearing Hong Kong Limited</b>
<b>“SEHK” or “Exchange”</b>	<b>The Stock Exchange of Hong Kong Limited</b>
<b>“SEOCH”</b>	<b>The SEHK Options Clearing House Limited</b>
<b>“SFC”</b>	<b>Securities and Futures Commission</b>
<b>“SFO”</b>	<b>The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)</b>
<b>“Shareholders”</b>	<b>Shareholders of HKEX</b>

*In this Handbook, words in masculine, feminine and neuter gender include the other of them and words in the singular include the plural and vice versa.*

## Chapter 2 EXECUTIVE SUMMARY

---

### 1.0 INTRODUCTION

- 1.1 The purpose of this Handbook is to give Directors an overview of the key governance issues and a record of the key guidelines and documents that are relevant to their roles, responsibilities and ongoing obligations.
- 1.2 As part of the securities and futures market reform in 1999, HKEX was established in July 1999 to consolidate the two recognized exchange companies (SEHK and HKFE) and three recognized clearing houses (HKSCC, SEOCH and HKCC) operating in Hong Kong under a single holding company.
- 1.3 Under two schemes of arrangement each dated 3 September 1999, SEHK and HKFE became wholly-owned subsidiaries of HKEX. HKSCC was converted from a company limited by guarantee to a company limited by shares and through the issue of shares to HKEX, became a wholly-owned subsidiary of HKEX as provided under Section 21 of the repealed Exchanges and Clearing Houses (Merger) Ordinance. The merger took effect on 6 March 2000, and HKEX was listed on SEHK by introduction on 27 June 2000.
- 1.4 In May 2012, OTC Clear was established for the purpose of providing clearing and settlement services for derivatives traded over-the-counter as a central counterparty. In October 2013, OTC Clear became a recognized clearing house under Section 37 of the SFO, and it commenced operations in November 2013. OTC Clear is a non wholly-owned subsidiary of HKEX. Twelve financial institutions as founding members hold, in aggregate, not more than 25% interest (in the form of non-voting ordinary shares) and HKEX retains 100% voting rights in the form of ordinary shares in OTC Clear.
- 1.5 In September 2012, a joint-venture company, China Exchanges Services Company Limited (“CESC”), was established which is equally held by HKEX, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. CESC’s principal business is to develop cross-border indices based on products traded on the three markets, industry classification for listed companies, as well as information standards and information products.

- 1.6 In December 2012, HKEX acquired LMEH by way of a scheme of arrangement. LMEH is the holding company of the LME, a leading exchange for the trading of non-ferrous metals forward and options contracts. The LME is a Recognised Investment Exchange regulated by the Financial Conduct Authority of the United Kingdom.
- 1.7 In September 2014, a new clearing house, LME Clear was launched. LME Clear operates as a central counterparty for all classes of contracts that are traded on the LME, and is an authorised central counterparty under the UK European Market Infrastructure Regulation (EMIR) and a recognised central counterparty supervised by the Bank of England under Part 18 of the Financial Services and Markets Act 2000.
- 1.8 In March 2017, a joint venture company, Qianhai Mercantile Exchange Company Limited (“QME”), was formed by HKEX (90.01%) and Qianhai Financial Holdings Company Limited (formerly known as Shenzhen Qianhai Financial Holdings Company Limited) (9.99%), for the development of a commodity trading platform in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. QME was officially launched with a pilot product in October 2018 in Shenzhen.
- 1.9 In June 2017, a joint venture company, Bond Connect Company Limited (“BCCL”) was established by HKEX (40%) and China Foreign Exchange Trade System (“CFETS”) (60%). BCCL’s principal business is to support and assist admission and registration for Northbound investors, and liaise closely with the global access platforms through which investors will trade the China Interbank Bond Market instruments.
- 1.10 In June 2019, HKEX acquired 51% equity interest in BayConnect Technology Company Limited (“BayConnect”) (formerly known as Shenzhen Ronghui Tongjin Technology Co., Ltd.) through an increase in registered capital of BayConnect. The remaining interests in BayConnect are held as to 29.4% by Shenzhen Kingdom Sci-Tech Co., Ltd and 19.6% by Ningbo Zhongchuang Tourong Investment Partnership (Limited Partnership). BayConnect is engaged in providing technology services.

In addition, the Group subscribed 9.99% equity interest in Fusion Bank Limited in the first half of 2019, which has been granted a virtual banking licence by the Hong Kong Monetary Authority. The Group acquired a minority interest (ie, less than 10%) in Huakong TsingJiao Information Science (Beijing) Limited (“TsingJiao”) in the first half of 2020. TsingJiao is a Beijing-based data technology company specialising in the research and development of Multi-party Computation (MPC) technologies. The Group completed a minority stake investment (ie, less than 10% interest) in the Guangzhou Futures Exchange (“GFE”) in the first quarter of 2021. The GFE was officially

launched in April 2021, focusing on serving the real economy and green development initiatives.

- 1.11 SEHK and HKFE are the recognized exchange companies, and HKSCC, SEOCH, HKCC and OTC Clear are the recognized clearing houses, as defined in the SFO. Pursuant to Section 10 of Schedule 10 of the SFO, HKEX is deemed to have been recognised as an exchange controller under Section 59(2) of the SFO.
- 1.12 Pursuant to Section 60 of the SFO, HKEX as an exchange controller cannot increase or decrease its interest in the exchanges and clearing houses. Any attempt to increase or decrease any such interest is void except with the SFC's approval in writing.
- 1.13 Pursuant to the SFO, any amendments to the AA of the recognized exchange controller, recognized exchange companies and recognized clearing houses are subject to the SFC's approval in writing.
- 1.14 Given HKEX's role as an exchange controller, the SFC is the regulator of HKEX as a listed company. For this purpose, chapter 38 has been specifically added to the Listing Rules, which sets out the requirements that must be satisfied for the securities of HKEX to be listed on SEHK. In addition to the Listing Agreement, the MOU for listing was also executed between HKEX and the SFC, under which the procedures for dealing with situations where a conflict of interest may arise for HKEX as an exchange controller are laid down.
- 1.15 Under Section 63 of the SFO, HKEX has the primary duty to ensure (a) an orderly, informed and fair market in securities and futures contracts traded on its exchanges, and in OTC derivatives products traded through the facilities of its exchange as well as orderly, fair and expeditious clearing and settlement arrangements in its clearing houses, and (b) the risks associated with its business and operations are managed prudently. HKEX shall act in the interest of the public with particular regard to the interest of the investing public; and ensure that the interest of the public prevails where it conflicts with HKEX's interest.
- 1.16 The Board structure is governed by the SFO and HKEX's AA. The appointment / retirement process and the term of service of HKEX's Directors are stipulated in its AA. **Chapter 3** of this Handbook gives a summary of the key provisions.

## 2.0 DIRECTORS' DUTIES AND RESPONSIBILITIES

2.1 The board of directors of a Group company is collectively responsible for the management and operations of the relevant Group company, and this performance requirement applies equally to each and every Director severally.

Directors must in the performance of their duties:

- (a) act honestly and in good faith in the interests of the company and to the Group as a whole, if appropriate;
- (b) act for proper purposes;
- (c) be answerable to the company for the application or misapplication of its assets;
- (d) avoid actual and potential conflicts of interest and duty, unless such interest is permitted under the company's AA;
- (e) disclose fully and fairly his interests in transactions, arrangements or contracts with any company within the Group; and
- (f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his offices within the company.

In addition, Directors must also observe other statutory duties/ responsibilities as may have been imposed on them under the laws or regulations of the jurisdictions where the company is incorporated.

2.2 Directors may delegate their functions, where appropriate but the delegation does not absolve them from their responsibilities or remove or mitigate their liabilities. Directors cannot discharge their responsibilities by attending meetings only. As a minimum, they must obtain a general understanding of the company's business and take an active role in supervising the company's affairs. Directors are reminded that if they fail to discharge their duties and responsibilities, they may be disciplined by the relevant regulator and may attract civil and/or criminal liabilities under the applicable laws and regulations in the jurisdictions where the business of the company is being conducted.

2.3 Every Director should ensure that he can give sufficient time and attention to the company's affairs, and disclose to HKEX, the offices held in external organisations and his other significant commitments. Directors should avoid conflicts of interest and each of them has a duty to fully declare if he is, in any way, interested in an actual or proposed transaction, arrangement or contract with any company within the Group, and the nature and extent of that interest, to the other Directors, and shall abstain from discussion and voting if there is an actual or potential conflict of interest. Guidelines on Conduct, as set out in **Chapter 4** of this Handbook, serve to provide guidance to Directors and committee members of the Group on the requirements to avoid conflicts of interest and appropriate action(s) that shall be taken by a Director/committee member in conflict. In particular, Guidelines on



Conduct set out the policy governing the acceptance by Directors of external appointments in listed and unlisted companies.

- 2.4 Directors are required to adhere to high standards of professional and ethical conduct. HKEX and certain of its principal subsidiaries, namely, SEHK, HKFE, HKSCC, SEOCH, and HKCC are included in the Schedules of the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) as “public bodies”, and directors and committee members of which are therefore public servants for the purpose of the Ordinance and are subject to the provisions. Guidelines on Conduct, as set out in **Chapter 4** of this Handbook, also serve to provide guidance for Directors’ consideration on the handling of gifts, entertainment, sponsored travel and sponsored events, and also the requirements for annual confirmation, making declaration and/or seeking approval for giving/accepting gifts or benefits under certain circumstances.
- 2.5 Every Director is also required to observe his ongoing disclosure obligations, including without limitation, the requirements to notify changes in personal particulars and/or, where applicable, circumstances that may affect his independence as an independent non-executive Director; to report dealings and interest in HKEX’s securities; and to report dealings with any company within the Group under all applicable laws and regulations, including the Listing Rules, during and, in some cases, after cessation of his term of office at the Group.
- 2.6 For an HKEX’s Director, he is required to sign and lodge with the SFC and SEHK a Declaration and Undertaking with regard to Directors (Form B), under which, he declares that his personal details set out in the announcement made under Rule 13.51(2) of the Listing Rules regarding his appointment as an HKEX’s Director are true, complete and accurate; and undertakes, among others, that he shall:
- comply to the best of his ability with the Listing Rules in the exercise of his powers and to perform his duties as an HKEX’s Director, and use his best endeavours to procure that HKEX shall so comply;
  - comply to the best of his ability, and use his best endeavors to procure HKEX to comply, with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the Code on Takeovers and Mergers, the Code on Share Buy-backs, and all other securities laws and regulations from time to time in force in Hong Kong;
  - when he is an HKEX Director and after he ceases to be so, provide to the SFC and SEHK any information and documents that the SFC reasonably considers appropriate to protect investors or ensure the smooth operation of the market, and any other information and documents or explanation that the SFC

may reasonably require for the purpose of verifying compliance with the Listing Rules;

- cooperate in any investigation conducted by the SFC, including answering promptly and openly any questions addressed to him, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which he is requested to appear;
- irrevocably appoint HKEX as his agent, for so long as he remains an HKEX's Director, for receiving on his behalf any correspondence from and/or service of notices and other documents by the SFC; and
- for so long as he remains as an HKEX's Director and for a further period of 3 years from the date on which he ceases to be an HKEX's Director, inform the SFC (in the manner prescribed by the SFC from time to time) of any change in his contact details (including telephone number, mobile phone number, facsimile number (if available), email address (if available), residential address and contact address (if different from the residential address)) for correspondence from, and service of notices and other documents by the SFC) as soon as reasonably practicable and in any event within 28 days of such change.

2.7 HKEX's Directors are responsible, collectively and individually, for ensuring HKEX to comply with the statutory obligation to disclose inside information as set out in the Inside Information Provisions and its general disclosure obligations under the Listing Rules.

2.7.1 Under Inside Information Provisions, HKEX must as soon as reasonably practicable after any inside information (as defined under Section 307A(1) of the SFO) has come to its knowledge, disclose the information to the public.

2.7.2 Under Rule 13.09 of the Listing Rules,

- where in the view of SEHK (in case of HKEX, the SFC) there is or there is likely to be a false market in HKEX's securities, HKEX must announce the information necessary to avoid a false market in its securities as soon as reasonably practicable;
- where HKEX is required to disclose inside information under Inside Information Provisions, it must also simultaneously announce the information; and
- HKEX must simultaneously copy to SEHK any application to the SFC for a waiver from disclosure under the Inside Information Provisions, and promptly upon being notified of the SFC's decision, copy SEHK with the SFC's decision.

- 2.7.3 As required under Rule 13.10A of the Listing Rules, HKEX shall, as soon as reasonably practicable, apply for a trading halt or trading suspension in the circumstances that (i) it has information which must be disclosed under Rule 13.09; or (ii) there is inside information which must be disclosed under Inside Information Provisions; or (iii) the confidentiality of inside information has been or may have been lost, where an announcement cannot be made promptly.
- 2.7.4 HKEX maintains a Continuous Disclosure and Communication Policy which provides guiding principles, practices and procedures to assist HKEX's employees (including employees of any companies within the Group) in (i) escalating inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with HKEX's stakeholders, in ways which are in strict compliance with the SFO, Listing Rules, and best practices.
- 2.8 The restrictions on securities dealings and the disclosure of any transacted dealings, connected transactions, and the CG Code are respectively dealt with in **Chapters 5, 6 and 7** of this Handbook.
- 2.9 Directors are often required to make certain declarations or disclosures to be filed with the relevant parties and authorities, such as the SFC and SEHK (as the case may be).
- 2.10 Directors are reminded that, under the SFO, it is a criminal offence for any person to knowingly or recklessly provide the SFC with false information or misleading material of HKEX, SEHK, HKFE, HKSCC, SEOCH, HKCC and/or OTC Clear.
- 2.11 **Chapter 8** of this Handbook broadly describes the corporate governance structure of HKEX, including the set up and key functions of the Board and the respective committees and panels, for Directors' reference.
- 2.12 In order to facilitate contact with Directors in case of emergency, Directors shall inform HKEX's Group Company Secretary in advance of their planned leave outside Hong Kong.

### **3.0 REFERENCE**

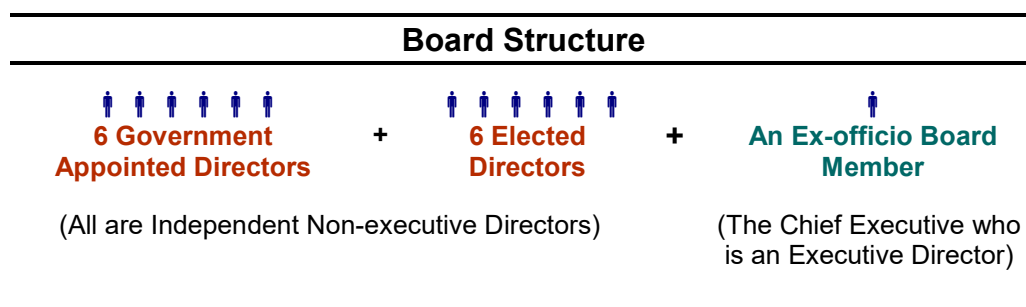
- 3.1 This Handbook only sets out the relevant key information for Directors' ease of reference. Directors should always refer to the primary source of the rules, regulations and ordinances in the jurisdictions where the business is conducted, for the details.
- 3.2 This Handbook will be updated periodically to reflect any changes in the content or requirements.

## Chapter 3 THE BOARD

### 1.0 BOARD OF DIRECTORS

(In this Chapter, the AA, Board, Chairman, Director(s), Chief Executive and Company Secretary refer to those of HKEX.)

1.1 The following is the current Board structure



1.2 The number of Directors shall be not less than two and not more than thirteen. (Article 84, AA)

1.3 The Financial Secretary of Hong Kong may appoint not more than 8 persons to be members of the Board. (Section 77(1), SFO)

1.4 However, immediately following the annual general meeting of HKEX held in 2003 and thereafter, the number of Government Appointed Directors shall not be more than the maximum number of other members of the Board but excluding the Chief Executive. (Section 77(2), SFO)

1.5 Government Appointed Directors may not be removed by a resolution of the other Directors or a special resolution of HKEX. (Section 77(4), SFO)

1.6 The Financial Secretary may at any time, subject to Section 77 of the SFO, appoint any person as a Government Appointed Director, and remove from office any person so appointed (whether or not his term has been completed). Any Director so appointed shall be appointed for a term of not more than approximately three years expiring at the conclusion of the annual general meeting held in the third year following the year of his appointment. (Article 88(4), AA)

- 1.7 HKEX may by ordinary resolution elect any person to be a Director, but the total number of Directors so elected shall not at any time exceed six. (Article 88(1), AA)
- 1.8 Any Elected Director shall be elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting held in the third year following the year of his appointment. (Article 88(2), AA)
- 1.9 Without prejudice to the power of HKEX in general meetings to appoint any person to be a Director, the Directors may at any time, and from time to time, appoint any person to be a Director (other than a Government Appointed Director), either to fill a casual vacancy or by way of addition to the number but the total number of Directors (other than Government Appointed Directors) shall not exceed the maximum number fixed by Article 88(1). The Director so appointed shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to their number), and shall be eligible for reappointment. (Article 90, AA)
- 1.10 An Elected Director may be removed from office by an ordinary resolution of HKEX or by giving him notice to that effect signed by all the other Directors. (Article 92, AA)
- 1.11 A retiring Director shall be eligible for reappointment. (Article 91(2), AA) Retiring Directors, save for those who have served as Non-executive Directors for a period of 9 consecutive years, are eligible for nomination by the Board to stand for re-election at a general meeting. (HKEX's Nomination Policy)
- 1.12 No person shall be appointed or re-appointed a Director at any general meeting unless:
- he is recommended by the Directors, or
  - he is nominated by notice in writing by a member (other than the person to be proposed) entitled to attend and vote at the meeting, and such notice of nomination shall be given to the Company Secretary within the seven-day period commencing the day after the despatch of the notice of the meeting (or such other period, being a period of not less than seven days, commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than seven days prior to the date appointed for such meeting, as may be determined by the Directors from time to time). The notice of nomination shall be accompanied by a notice signed by the proposed candidate indicating his willingness to be appointed or re-appointed. (Article 88(3), AA)

1.13 A Director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with HKEX or any other company in which HKEX is interested. (Article 99(14), AA)

## **2.0 CHAIRMAN**

2.1 No person shall be the Chairman of a recognized exchange controller unless he has the approval in writing of the Chief Executive of Hong Kong to hold that office. (Section 69(1), SFO)

2.2 The Chairman shall be a non-executive Director and shall be appointed for an initial term coinciding with his term as a non-executive Director and may be re-appointed for a further period or periods up to a maximum of the longer of six consecutive years or six consecutive annual general meetings. After having served for the maximum consecutive periods, the Chairman shall not be eligible for reappointment until the later of one year after he ceases to be the Chairman or the next annual general meeting after he ceases to hold office. (Article 109(2), AA)

2.3 A person may only be removed from his office as Chairman by:

- a resolution of the Directors passed by two-thirds in number of the Directors from time to time; or
- written notice from the Chief Executive of Hong Kong removing him from his office in accordance with Section 69 of the SFO.

(Article 109(2), AA)

## **3.0 CHIEF EXECUTIVE / CHIEF OPERATING OFFICER**

3.1 No appointment of a person as the Chief Executive or the Chief Operating Officer of a recognized exchange controller shall have effect unless the appointment has been approved by the SFC in writing. (Section 70(1), SFO)

3.2 The Chief Executive shall be an ex-officio Director and whose term will be coterminous with the term of his employment as the Chief Executive established in his employment contract. (Article 88(5), AA)

## 4.0 BOARD PROCEEDINGS

4.1 Four Directors shall constitute a quorum for a Board meeting provided not less than half of such number of Directors as shall constitute a quorum from time to time shall be Government Appointed Directors. (Article 100, AA)

4.2 Board meeting may consist of a conference between the Directors some or all of whom are in different places provided that each Director is able:

- to hear each of the other participating Directors addressing the meeting; and
- if he so wishes, to address all of the other participating Directors simultaneously,

whether directly, by conference telephone or by any other form of communications equipment or by a combination of those methods. A quorum is deemed to be present if these conditions are satisfied in respect of at least the number of Directors required to form a quorum. (Article 106(2)(a)&(b), AA)

The Chairman is entitled to have a second or casting vote at the Board meetings in case of an equality of votes. (Article 100, AA)

4.3 A Director shall not vote or be counted in the quorum at a meeting in relation to any resolution relating to any transaction, arrangement or contract or other proposal in which he or any of his associates<sup>1</sup> or any entity connected with him<sup>2</sup> has a material interest, except in situations as prescribed in Article 99(15), AA.

4.4 If any question arises at any Board meetings as to the materiality of an interest of a Director or any of his associates<sup>1</sup> or any entity connected with him<sup>2</sup> or as to the entitlement of any Director to vote, the question shall be referred to the Chairman of the Board meeting and his ruling in relation to the Director concerned shall be final and conclusive. If any question arises in respect of the Chairman of the Board meeting or any of his associates<sup>1</sup> or any entity connected with him<sup>2</sup>, the question shall be decided by a resolution of the Directors. (Article 99(16), AA)

4.5 In the event that a Director requests to consult an external professional adviser, he shall inform the Company Secretary specifying the matter concerned. If there is no disagreement received from the other Board members, the Company Secretary, having obtained the Chairman's approval, will proceed to obtain independent professional advice. (Code Provision C.5.6 of the CG Code)

---

<sup>1</sup> An “**associate**” in this context shall have the meaning given to it under the Listing Rules.

<sup>2</sup> An “**entity connected with a Director**” in this context shall have the meaning given to it under Section 486 of the Companies Ordinance.

## 5.0 INDEPENDENT NON-EXECUTIVE DIRECTORS (INEDs)

- 5.1 Under Rule 3.10A of the Listing Rules, at least one-third of the board members shall be INEDs. In assessing the independence of a non-executive Director, SEHK (in the case of HKEX, the SFC) will take into account the factors as set out in Rule 3.13 of the Listing Rules. Every non-executive Director of HKEX has written to the SFC confirming his independence.
- 5.2 Pursuant to paragraph 12B of the Appendix 16 to the Listing Rules, each INED has to make an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.
- 5.3 The Nomination and Governance Committee will annually review and assess the independence of INEDs pursuant to Code Provision B.3.1(c) of the CG Code.
- 5.4 The Listing Rules set out the following requirements.
- When determining the independence of a Director, the Director's immediate family members' connection with HKEX should be taken into consideration. (Note to Rule 3.13, Listing Rules)
  - Should a proposed INED have cross-directorships or significant links with other Directors, HKEX should disclose in the Corporate Governance Report why the individual is still considered independent. (Recommended Best Practice B.1.6 of the CG Code)
  - If a proposed INED who stands for election/re-election at the general meeting will be holding his seventh (or more) listed company directorships, HKEX is required to explain in the circular to shareholders accompanying the resolution the reasons why the Board believes the individual would still be able to devote sufficient time to the Board. (Code Provision B.3.4 of the CG Code) (Also see paragraph 2.4 of **Chapter 4** of this Handbook on the limit of the number of directorships to be held by Directors)



## **Chapter 4**

### **GUIDELINES ON CONDUCT**

---

#### **1.0 INTRODUCTION**

- 1.1 The Guidelines on Conduct (the “HKEX Guidelines”) serve to provide guidance for Directors and committee members of the Group on the requirements to avoid conflicts of interest and circumstances under which declaration of interest shall be made, and on giving/acceptance of gifts, entertainment, sponsored travel or sponsored events in their respective capacities as Directors and committee members of the Group.
- 1.2 As HKEX is a listed company, all Directors are subject to the provisions of the Listing Rules regarding their transactions with HKEX or its subsidiaries. In order to protect HKEX’s interest, all Directors and committee members of the Group are required to declare at all times the nature and extent of any conflict of interest, whether direct or indirect, or whether actual or potential, in relation to any HKEX’s business activities, and all Directors and committee members of HKEX as well as members of the Main Board and GEM Listing Committees of SEHK (“Listing Committee Members”) and members of the Listing Review Committee of SEHK (“Listing Review Committee Members”) are further subject to disclosure requirements of their interests. Section 2.0 of the HKEX Guidelines – “Declaration of Interest” sets out the declaration requirements.
- 1.3 All directors and committee members of HKEX and those of its principal subsidiaries, namely, SEHK, HKFE, HKSCC, SEOCH and HKCC are regarded as “public servants”, and their conduct is further governed by the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). Section 3.0 of the HKEX Guidelines – “Anti-Bribery and Anti-Corruption Guidelines for Directors and Committee Members” provides guidance on the consideration of giving/acceptance of gifts, entertainment, sponsored travel and sponsored events, and the relevant declaration or approval and annual confirmation requirements.

#### **2.0 DECLARATION OF INTEREST**

- 2.1 To protect HKEX’s interests and reputation, and those of the Directors and committee members of the Group, Directors and committee members are required to declare at all times the nature and extent of any conflict of interest, whether direct or indirect, or whether actual or potential, in relation to their private concerns and shall take such action as is necessary in order to ensure that they do not take any part whatsoever in any HKEX’s business in relation to which they may have such a conflict of interest. In particular, they shall, notwithstanding the declarations of interest made under paragraph 2.3 below, make the

relevant declaration at each meeting at which such business is discussed. If required to do so by the relevant board or committee, the relevant Director or committee member shall withdraw from the meeting of the board or any of its committees before any discussion on such matters commences. Directors and committee members having such a conflict of interest shall return all relevant papers to the relevant secretary of the board or committee as soon as they become aware of the conflict.

- 2.2 Directors and committee members of the Group shall also refer to the AA of the relevant company or terms of reference of the relevant board or committee for the details in determining whether they may vote and be counted in a quorum in respect of any resolution concerning transactions, arrangements or contracts, or proposed transactions, arrangements or contracts where they have or may have interests.
- 2.3 HKEX as a listed company and also a recognized exchange controller, Directors and committee members of HKEX are further subject to disclosure requirements of their interests as set out in paragraphs 2.4 and/or 2.5 below. Given SEHK's role as the frontline regulator of listed companies, the relevant disclosure requirements equally apply to the Listing Committee Members, to which SEHK's board has delegated all its powers and functions in respect of all listing matters, and to the Listing Review Committee Members.
- 2.4 Upon appointment, each Director or committee member<sup>3</sup> is required to complete the Initial Declaration of Interest in respect of:
- (a) all directorships and offices<sup>4</sup> held by him in companies or other entities, whether formed in Hong Kong or overseas, and other significant commitments;
  - (b) his interests in any corporation, whether formed in Hong Kong or overseas, when such interests are 10% or more of that corporation's issued shares. Where the company is a company listed on SEHK, a declaration should be made when the Director's or committee member's interests are 5% or more of its issued shares; and
  - (c) the shareholding/economic/other interest held by himself, and/or to the extent he is aware of it, by his family members<sup>5</sup> or relevant person or entity<sup>5</sup>, individually or together, which is 5%<sup>6</sup> or more or

---

<sup>3</sup> All references to "committee member" in paragraph 2.4 should be construed as referring to committee members of HKEX, the Listing Committee Members and the Listing Review Committee Members.

<sup>4</sup> Under the Listing Committee Handbook and the Listing Review Committee Appointment Briefing Pack, the Listing Committee Members and the Listing Review Committee Members are also required to confirm their former directorships and offices held over the past 12 months before the date of their appointment to the relevant Committee.

<sup>5</sup> See paragraph 2.16 below for the definitions of "family member" and "relevant person or entity" in relation to a Director or a committee member

<sup>6</sup> This 5% threshold is a reference figure only. A Director/committee member may have material interest in a transaction with a company even if he is interested in no more than 5% of that company's issued shares. A Director/committee member shall declare his interests whenever he considers them to be material.

an interest that is otherwise material, in companies or other entities which have or will have dealings with HKEX or any of its subsidiaries.

To ensure that sufficient time and attention is devoted to HKEX's affairs, each Director should limit the number of appointments he has as a director in companies listed on SEHK or on any overseas exchange to four (excluding HKEX) unless the Nomination and Governance Committee determines otherwise after considering the circumstances of the particular case.

During the term of office, each Director or committee member shall notify HKEX immediately upon him becoming aware of any change in directorship/office, significant commitments and/or interest, by completing the Notification of Change in Interest.

2.5 To avoid any potential conflicts of interest arising from the Exchange's role as the frontline regulator of listed companies, subject to the Listing Rules, no Director shall be a Listing Committee Member or a Listing Review Committee Member. Further, before accepting appointment as a director, or in any other position such as advisor or employee, of a company either seeking a new listing or already listed on the Exchange, each Director shall seek prior approval from the Nomination and Governance Committee.

(a) Subject to paragraph (b), approval will normally be granted if the relevant Director has taken the following steps to avoid potential conflicts of interest:

- (i) where the proposed appointment involves a company seeking a new listing on the Exchange, advising the company and its listing sponsor(s) that he cannot be involved in any way in: (a) any marketing or promotional activities in relation to the new listing; or (b) any communications with the Exchange or the SFC in relation to the new listing application or any listing compliance matter of the company post-listing (other than solely in his capacity as a director or potential director of the relevant listing applicant or listed company, as the case may be)
- (ii) where the proposed appointment involves a company listed on the Exchange, advising the company that he cannot be involved in any way in any communications with the Exchange or the SFC in relation to any listing compliance matter of the company (other than solely in his capacity as a director or potential director of the relevant listing applicant or listed company, as the case may be); and
- (iii) providing a confirmation to HKEX that the advice referred to in paragraph (i) or (ii) above (as applicable) has been duly given.

For the avoidance of doubt, any reference in this paragraph 2.5 to a Director accepting an appointment as a director of a company

seeking a new listing on the Exchange includes such Director permitting his name to be included as a director, actual or proposed, in any listing application by the company.

- (b) In deciding whether an approval should be granted under this paragraph 2.5, the Nomination and Governance Committee may take into account any reputational or competing business risk that a proposed appointment may pose to HKEX or any regulatory or other concerns, having regard to HKEX's role as a recognized exchange controller and its public interest duties under the SFO.
- (c) A Director wishing to accept an appointment as a director, or in any other position such as advisor or employee, of an unlisted company or a company listed overseas should ensure that such appointment will not pose any reputational or competing business risk to HKEX. The Nomination and Governance Committee will make a determination in case of doubt. Where a Director has accepted an appointment in an unlisted company or a company listed overseas and that company subsequently seeks a new listing on the Exchange, the Director shall be required to obtain the approval of the Nomination and Governance Committee before permitting his name to be included as a director in any listing application by the company and the applicable requirements set out in paragraph 2.5(a) above shall apply.
- (d) For the avoidance of doubt, the Director, after obtaining the necessary approval, shall make declaration of the appointment by completing the Notification of Change in Interest, as provided in paragraph 2.6 below.
- (e) In addition to this paragraph 2.5, Directors who are employees of the Group should comply with the provisions of the relevant HR Manual on accepting external appointments, including the requirement to obtain prior written approval from their department heads or line managers to avoid any conflict of interest.

2.6 The Initial Declaration of Interest and the Notification of Change in Interest forms should be sent to the Secretary of the relevant company/committee, who shall arrange them for acknowledgement by the chairman of the relevant Group's company and/or HKEX's Chairman or Chief Executive as appropriate. In case if the declaration is made by HKEX's Chairman, such declaration shall be acknowledged by HKEX's Chief Executive. A register of Directors' declarations will be maintained and shall be open to inspection by the relevant company's Directors.

The Nomination and Governance Committee will periodically review the register of interests of HKEX Directors (which is compiled from declaration or change of interest forms and summaries of directorships/ other offices submitted by Directors) and assess if any appointment being taken up requires specific consideration in light of the provisions of the HKEX Guidelines.

- 2.7 Where a company in which a Director or committee member, a member of his family<sup>5</sup> or any other relevant person or entity<sup>5</sup> of the Director or committee member in aggregate own 5%<sup>6</sup> or more is materially interested in a transaction, an arrangement or a contract, or a proposed transaction, arrangement or contract, he may also be deemed materially interested in that transaction, arrangement or contract, or that proposed transaction, arrangement or contract. If required to do so by the relevant board or committee, the Director or committee member should withdraw from any consideration of the matter or any participation in decision making process on such matter.
- 2.8 In order to facilitate the open exchange of views during meetings of the Directors and committee members of the Group, and for the proper conduct of the business at hand, it is essential for the board and committee proceedings to be conducted on the basis that all papers and discussions are confidential unless it is clearly stated otherwise. All Directors and committee members shall treat all papers which they receive in their capacity as such and all discussions at board and committee meetings as confidential and shall not disclose them, their contents or the gist of their contents to anyone outside of the board or committee, as the case may be, unless expressly authorised by the board or the committee to do so.
- 2.9 All Directors and committee members of the Group shall not use for the benefit of themselves, or any other person any confidential information that may come into their knowledge by virtue of their membership of any board, committee or working group by whatever name called, nor take advantage for the benefit of themselves, or for any other person, of opportunities which should be taken for the benefit of HKEX.
- 2.10 A Director or committee member of the Group who fails to make the declaration of a conflict of interest as required under the HKEX Guidelines or who is in violation of the duties of confidentiality imposed shall be liable to account to HKEX for any profit made or benefit received from or in respect of such failure or violation.
- 2.11 A Director or committee member of the Group may be regarded as having a conflict of interest where the company or firm he is associated with derives a financial benefit from his being a Director or committee member. Therefore, a Director and committee member is required at all times to declare such conflict and, if so required by the relevant board or committee, to withdraw from any consideration of a matter in which the Director/member may have an interest unless the relevant interest is permitted in the relevant company's AA.
- 2.12 A Director or committee member of the Group who, in his professional capacity, advises a company, firm or individual on any dealing with HKEX or its subsidiaries, including without limitation the award, by tender or otherwise, of a contract or concession, should declare an interest and, if so required by HKEX or its subsidiaries, withdraw from any consideration of the matter or any participation in the decision on entering into such dealing.

- 2.13 A Director or committee member of the Group who is a director or employee of a company, or a partner in or proprietor of a firm, which proposes to have any dealing with HKEX or its subsidiaries, including without limitation tendering for any contract or concession, should declare an interest and, if so required by HKEX or its subsidiaries, withdraw from any consideration of the matter or any participation in the decision on entering into such dealing.
- 2.14 Although the HKEX Guidelines are drafted to cover, as far as possible, a wide range of potential scenarios, prudence dictates that if any Director and committee member of the Group is uncertain as to whether a particular transaction, act or omission falls within their terms, he should consult his own professional advisers. The HKEX Guidelines do not in any way mean to set out comprehensively the duties and obligations that a person has to fulfill under any laws, rules, codes of conduct or guidelines issued by the relevant companies and authorities to whom they are subject to. To the extent that the HKEX Guidelines impose less stringent obligations than any relevant laws, regulations, codes and rules which apply to the same transaction, conduct, act or omission, the more stringent standard should be observed.
- 2.15 Part XIII and Part XIV of the SFO prohibit persons from using inside information to deal in securities or their derivatives. Directors and committee members of the Group should take special precaution to comply with the relevant provisions of the SFO.

Directors shall refer to **Chapter 5** of this Handbook where restrictions on securities dealing are broadly discussed.

- 2.16 For the purpose of this section 2.0, references to
- (a) **“a member of family”** or **“family member”** of a Director or a committee member shall be construed to include:
- (i) spouse or a person cohabiting as spouse;
  - (ii) child or step-child;
  - (iii) parent or step-parent; or
  - (iv) brother, sister, step-brother or step-sister.
- (b) **“a relevant person or entity”** of a Director or a committee member shall be construed to include:
- (i) the trustee, acting in the capacity as trustee of a trust of which the Director or committee member, his spouse or minor child is a beneficiary, or in case a discretionary trust, is (to his knowledge) a discretionary object;
  - (ii) any body corporate of which the Director or committee member, his spouse, minor child and trustees in the nature as specified in (i) above, taken together (directly or indirectly) can exercise or control the exercise of 30% or more of the voting power at any general meeting of that

- body corporate, or control the composition of a majority of the board of directors, and any of its subsidiaries;
- (iii) any body corporate of which the Director or committee member and his family members (individually or together) together with the trustees as specified in (i) above, can exercise or control the exercise of more than 50% of the voting power at any meeting of such body corporate, or control the composition of a majority of the board of directors, and any of its subsidiaries;
  - (iv) a partner of the Director, his spouse or minor child or the trustee in the nature specified in (i) above <sup>(Note)</sup>; or
  - (v) any body corporate of which the directors or majority of the directors of that body corporate are accustomed to act in accordance with the directions or instructions of the Director, his family member, or any other relevant person or entity as referred to in (i), (ii), (iii) and (iv) above <sup>(Note)</sup>.

(Note: The scope of “family member” and “relevant person of entity” of a Director or a committee member in (a) and (b) above, in general, follow the definitions of “associate” in Chapter 14A of the Listing Rules and “connected entity” in Part 11 of the Companies Ordinance. However, the “relevant person or entity” of a director as referred to in (b)(iv) and (b)(v) above is only applicable to directors of a public company registered under the Companies Ordinance (ie, HKEX).)

### **3.0 ANTI-BRIBERY AND ANTI-CORRUPTION GUIDELINES FOR DIRECTORS AND COMMITTEE MEMBERS (“ANTI-BRIBERY AND ANTI-CORRUPTION GUIDELINES”)**

- 3.1 HKEX supports a culture of integrity, ethical conduct, fairness, honesty and openness when doing business. It is important to note that HKEX and certain of its principal subsidiaries, namely SEHK, HKFE, HKSCC, SEOCH and HKCC, are public bodies under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). Directors and committee members of HKEX and these principal subsidiaries are regarded as public servants and their conduct is governed by the Ordinance. It is important for all Directors and committee members of the Group to maintain impartiality at all times and to avoid any conflicts of interest in carrying out their duties. It is the Group’s commitment to adopt ethical and anti-corruption business practices, high standard of integrity and zero tolerance to corruption. Bribes, kickbacks, facilitation payments, and “in kind” must not be solicited from, or offered to, any person for any purpose.
- 3.2 All personnel (including employees, officers, consultants, Directors and committee members of the Group) are required to adhere to high standards of professional and ethical conduct, and they are required to act in the best interests of the Group, place public interest above private interest and ensure that no conduct would bring the Group into disrepute. The Anti-Bribery and Anti-Corruption Guidelines set out in

this section aim to guide Directors and committee members of the Group who are not staff members<sup>7</sup> of the Group to recognise circumstances which may lead to or give the appearance of corruption or unethical business conduct, avoid conduct which is clearly prohibited, and seek guidance promptly where necessary. Directors and committee members of the Group, who are staff members of the Group, are required to comply with the Group Anti-Bribery and Anti-Corruption Policy.

- 3.3 The Anti-Bribery and Anti-Corruption Guidelines apply to Anything of Value that is provided to or received from an external party by a Director or a committee member of the Group (who is not a staff member of the Group) in his or her official capacity. "Anything of Value" means benefit or advantage that may be offered, given or received to or by, an entity or individual. It includes, but is not limited to:
- any entertainment, gift, loan, fee, reward or commission consisting of money or of any valuable security or of other property or interest in property;
  - any office, employment or contract;
  - any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;
  - any other service, or favour;
  - the exercise or forbearance from the exercise of any right or any power or duty; or
  - any offer, undertaking or promise of any advantage described above.
- 3.4 As the general policy, all Directors and committee members of the Group are strictly prohibited from engaging in bribery and corruption including:
- (a) **offering, promising or giving**, directly or indirectly through any person, Anything of Value to any person to improperly win or retain business, or otherwise gain an unfair business advantage;
  - (b) **soliciting or receiving**, directly or indirectly through any person, Anything of Value from any person to improperly win or retain business or otherwise gain an unfair business advantage;
  - (c) **using illegal or improper means** to influence the actions of others; and
  - (d) **acting as an intermediary** for an external party in engaging in bribery.
- 3.5 All Directors and committee members of the Group are required to exercise common sense and judgement in assessing whether any arrangement could be perceived to be corrupt or otherwise inappropriate. Consideration should be given to: (i) whether the nature and frequency of an advantage and/or entertainment will give rise to an obligation to show favour or otherwise assist the other party in business dealings; and (ii) the public perception when accepting an advantage and ensure that the acceptance of any advantages can stand up to

---

<sup>7</sup> Staff members include all employees, whether engaged under open term or fixed-term contracts, secondees, interns and dispatched staff, and contingent workers.



public scrutiny and will not bring the Group into disrepute. All Directors and committee members of the Group are required to decline an offer of an advantage if the acceptance could affect objectivity or performance of duties, induce them to act against the Group's interest or place the Director or committee member of the Group under an improper obligation (including where there is a belief the offeror has such an intention), or lead to the perception or allegation of impropriety or conflict of interest. As a matter of prudence, each Director or committee member of the Group is required to decline any advantage that is offered by an external party unless it is entirely clear that it does not put him in a position or situation described above.

- 3.6 All Directors and committee members of the Group are strictly prohibited from giving and accepting cash gifts in all circumstances. Cash gifts include cash and cash equivalents or any other forms, i.e. gifts that can be convertible as cash (e.g. gift cards and cash vouchers, digital money).

The following types of gifts and entertainment are strictly prohibited:

- Anything excessive, lavish and unduly frequent;
- Any bribes, kickbacks and facilitation payments;
- Anything known to be prohibited by the external party's organisation or principal (e.g. employer);
- Anything that could, or be seen to, affect objectivity, place any party under an improper obligation or lead to perception or allegation of impropriety or conflict of interest;
- Any gifts and entertainment which could be considered improper, morally questionable, arranged in undesirable locations or establishments (e.g. those with an adult or gambling theme) or are damaging to the reputation of HKEX and other members of the Group;
- Expenses (including, in particular, the provision of tickets) that relate to a government official's attendance at an event during which no Group representatives will be present to accompany the government official; and
- Anything that is offered as a quid pro quo (offered for something in return).

- 3.7 Subject to the provisions of the Anti-Bribery and Anti-Corruption Guidelines, Directors, the Listing Committee Members, the Listing Review Committee Members and members of other committees within the Group, who wish to give/accept non-cash gifts or entertainment at or above the respective Acceptable Monetary Threshold (as set out in paragraph 3.8 below), or provide/accept any sponsored travel or sponsorship (regardless of value) must, prior to the event, declare to and/or obtain prior approval from the relevant Authorising Person (as set out in paragraph 3.9 below).

The approval and declaration forms will be made available upon request to the HKEX or LME secretarial services department or the Listing Division (for members of the Listing Committee or Listing Review Committee), as appropriate.

- 3.8 The relevant Acceptable Monetary Threshold applicable to Directors and committee members for offering/accepting non-cash gifts, entertainment, sponsored travel and sponsored events are set out below.

	Acceptable Monetary Threshold		
	Non-cash Gifts	Entertainment	Sponsored Travel/ Sponsored Events
<b>Committee Members and Directors of HKEX and its subsidiaries(including the LME Group)</b> <sup>(a)</sup>	<u>Prior declaration</u> ≥ HK\$2,500 or equivalent in local currency of the Group entity by which the personnel is engaged		Prior approval is required regardless of the value to be given/accepted.
<b>Listing Committee Members and Listing Review Committee Members</b> <sup>(b)</sup>	<u>Prior declaration</u> ≥ HK\$500 or equivalent in local currency of the Group entity by which the personnel is engaged	<u>Prior declaration</u> ≥HK\$2,000 or equivalent in local currency of the Group entity by which the personnel is engaged	

- (a) Exclude (i) the Chief Executive of HKEX and other staff members of the Group, who are subject to the Group Anti-Bribery and Anti-Corruption Policy; and (ii) Listing Committee Members and Listing Review Committee Members, who are subject to lower thresholds.
- (b) Exclude the Chief Executive of HKEX. Due to the nature of the role of Listing Committee Members and Listing Review Committee Members, the thresholds are lower to ensure that there is no perception of bias.

- 3.9 Prior declaration or approval of the offering/acceptance of non-cash gifts, entertainment, sponsored travel or sponsored events, if required, shall be made to the Authorising Person as set out below.

Person seeking prior declaration or approval	Authorising Person
Chairperson of the Board	Chairperson of Audit Committee
Other Board members	Chairperson of the Board
Listing Committee Chairperson and Members and Listing Review Committee Members (including members of chairpersons pool)	Chairperson of the Listing Operation Governance Committee
Chairperson of a Committee (other than Listing Committee or Listing Review Committee)	Secretary of the relevant Committee
Other members of a Committee (other than Listing Committee or Listing Review Committee)	Chairperson of the relevant Committee

- 3.10 On an annual basis, each Director of the Group must provide the following confirmations to the secretary of the board of the relevant Group companies in respect of compliance with the Anti-Bribery and Anti-Corruption Guidelines:
- (i) that all gifts, entertainment, sponsored travel, sponsored events and other advantages given or accepted by the Director are properly declared or approved in accordance with the Anti-Bribery and Anti-Corruption Guidelines;
  - (ii) that all gifts, entertainment, sponsored travel, sponsored events and other advantages given or accepted by the Director are dealt with in accordance with instructions given by the Authorising Person;
  - (iii) that employment of any person referred to or hired by the Director is based on merits instead of connections or benefits;
  - (iv) that there is proper and timely communication of the Group's zero-tolerance approach to bribery and corruption to external parties that the Director retained;
  - (v) that, to the best of the Director's knowledge, no improper payments or advantages have been offered or made, or solicited or received by external parties retained; and
  - (vi) that, to the best of the Director's knowledge, all gifts, entertainment and benefits given or accepted by the Director have not raised any actual or perceived reputational issues, conflicts of interest or contravention of applicable laws, rules and regulations related to bribery and/or corruption.

Annual compliance reminders will be sent to members of the Listing Committee, Listing Review Committee, and/or other committees of the Group, who are not Directors of the Group, regarding their ongoing compliance with the Anti-Bribery and Anti-Corruption Guidelines.

- 3.11 Directors and committee members of the Group<sup>8</sup> are required to follow all applicable laws, rules and regulations related to anti-bribery and anti-corruption in jurisdictions (e.g. Hong Kong, the United Kingdom, the USA, the PRC, Singapore) in which the Group operates or carries on business activities, in particular the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) (available at: <https://www.elegislation.gov.hk/hk/cap201>) and the UK Bribery Act 2010 (available at: <http://www.legislation.gov.uk/ukpga/2010/23/contents>), US Foreign Corrupt Practices Act and various US federal and state laws addressing bribery and corruption, Criminal Law of the PRC, and Singapore Prevention of Corruption Act. It should be noted in particular that the UK Bribery Act 2010 applies not only to the UK entities within the Group, but also to persons who are British citizens.
- 3.12 Breach of applicable anti-bribery and anti-corruption laws, rules and regulations may result in civil, criminal and/or regulatory penalties including fines, disgorgement of profits and imprisonment. Actual or perceived violations of these laws and regulations could also result in severe reputational damage to the Group.

Any contravention of the Anti-Bribery and Anti-Corruption Guidelines may lead to referral to relevant Government authorities and law enforcement agencies, where appropriate.

---

<sup>8</sup> HKEX and certain of its principal subsidiaries, namely, SEHK, HKFE, HKSCC, SEOCH and HKCC are each a public body listed in Schedule 2 of the Prevention of Bribery Ordinance. All directors and committee members of these companies are “public servants” for the purpose of the Prevention of Bribery Ordinance and are subject to its provisions. The solicitation or acceptance of any advantage given on account of any act performed by a public servant in his public capacity may render him liable to prosecution under Section 4 of the Prevention of Bribery Ordinance.

## Chapter 5

# RESTRICTIONS ON SECURITIES DEALINGS

### 1.0 INTRODUCTION

Part XIII, XIV and XV of the SFO and the Model Code lay down the restrictions on securities dealing and the reporting requirements by Directors.

The key provisions of the SFO relating to restrictions on dealing in securities and the reporting requirements by Directors and the Model Code are summarised herein below.

### 2.0 THE SECURITIES AND FUTURES ORDINANCE

2.1 The SFO has consolidated, updated and amended 10 ordinances which include the then Securities (Insider Dealing) Ordinance and the Securities (Disclosure of Interests) Ordinance. Part XIII and Part XIV of the SFO are relating to the prohibition of insider dealing. In essence, those persons who are **“connected with”** a listed company must not deal in the listed securities of that company (or warrants, options and other rights, whether themselves listed or not, which are derivatives of such securities) if they have **“inside information”** about that company. Inside information is specific information which is not generally known to the public but if known, would likely affect the price of those securities materially. It applies to both on and off-market dealings.

2.2 Other than directors or employees of a listed company, persons **“connected with”** a listed company include anyone with access to inside information due to his being connected with another company where the inside information relates to a transaction involving both of those companies or involving one of them and the listed securities of the other (or their derivatives), or to the fact that the relevant transaction is no longer contemplated. A person is also connected with a company if he was connected at any time within the six months preceding the dealing. A company is deemed to be connected with another company if any of its directors or employees is connected with that company.

Insider dealing also takes place when a connected person passes on inside information to other persons or counsels or procures others to deal in such securities (or their derivatives), knowing or having reasonable cause to believe that the other person will deal in a company’s securities (or their derivatives). It is also an insider dealing where a person who knowingly receives inside information directly or indirectly from a connected person deals in relevant securities (or their derivatives) or counsels or procures another person to do so.

- 2.3 A person who becomes an HKEX's Director or Chief Executive and at the time when he does so is interested in shares in or debenture of, or has a short position in shares in, HKEX or any associated corporation of HKEX has a duty under Part XV of the SFO to give notification to SEHK and HKEX by submitting the prescribed Form 3A (DI Form) electronically through the Disclosure of Interests Online (DION) System.

An associated corporation of HKEX means a corporation which is a subsidiary or holding company of HKEX or a subsidiary of HKEX's holding company or (not being a subsidiary of HKEX) a corporation in which HKEX has an interest in the shares of a class comprised in its share capital exceeding one-fifth in number of the issued shares of that class.

- 2.4 During his term of office with HKEX, an HKEX's Director or Chief Executive is under a duty to notify HKEX's Group Company Secretary and to complete and file the prescribed DI Form through the DION System to notify SEHK and HKEX of the occurrence of any of the following events:
- (i) when he becomes, or ceases to be, interested in shares in or debentures of HKEX or any associated corporation of HKEX;
  - (ii) the entering into by him of a contract to sell any such shares or debentures;
  - (iii) the assignment by him of a right granted to him by HKEX to subscribe for shares in or debentures of HKEX;
  - (iv) the grant to him by an associated corporation of HKEX of a right to subscribe for shares in or debentures of that associated corporation, the exercise of such a right granted to him and the assignment by him of such a right so granted;
  - (v) when the nature of interest in shares in or debentures of HKEX or any associated corporation of HKEX, which has previously been notified, changes;
  - (vi) when a corporation becomes an associated corporation of HKEX where he is immediately after the event interested in shares in or debentures of or has short position in shares in the corporation;
  - (vii) when he comes to have or ceases to have a short position in shares in HKEX or any associated corporation of HKEX; and
  - (viii) when he becomes a Director or Chief Executive of HKEX and at that time he has an interest in shares in or debentures of, or has a short position in shares in, HKEX or any associated corporation of HKEX.

A notification made under (viii) is regarded as an "Initial Notification".

- 2.5 Notification in all cases of events (i) to (vii) in paragraph 2.4 must be made within the **next three business days** following the occurrence of the event giving rise to the notification obligation. The term “business day” means a day other than a public holiday, a Saturday and a day on which a black rainstorm warning or a gale warning is in force.

For an initial notification for event as specified in (viii) in paragraph 2.4, notification must be made within the next 10 business days following the date of his appointment.

- 2.6 Notification includes:

**all interests** of an HKEX’s Director in any shares or debentures of HKEX or any associated corporation of HKEX. Under the SFO, his interests also include the interests of:

- a spouse;
- a minor children (under age of 18);
- a corporation whose directors are accustomed to act in accordance with his directions or instructions;
- a corporation in which he is entitled to exercise or control the exercise of 1/3 or more of the voting power at general meetings of that corporation;
- a trust where the Director or any one of the above is a beneficiary;
- a discretionary trust where the Director had the trust set up or put assets into it and can influence how the trustee exercises his discretion;
- a trust where the Director is a trustee; and
- an agreement in which the Director is a party who has agreed to acquire interests in shares in HKEX.

HKEX’s Director shall use the prescribed DI form for making such disclosure through the DION System.

- 2.7 A person

- who, without reasonable excuse, fails to make a disclosure within the specified period; or
- makes a statement which is false or misleading in a material particular and knows that, or is reckless as to whether, the statement is false or misleading in a material particular,

commits an offence and is liable on conviction on indictment to a fine up to HK\$100,000 and to imprisonment for two years; or on summary conviction to a fine up to HK\$10,000 and to imprisonment for six months.

- 2.8 For the purpose of publishing the interim and annual reports, HKEX's Directors are each requested to confirm his interests in HKEX's securities biannually.

### **3.0 THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

- 3.1 The Model Code contains restrictions on dealings (both on and off-market) by directors in a listed company's securities and sets a minimum standard of good practice against which listed companies should measure the equivalent restrictions which they are required to adopt.
- 3.2 All Directors are subject to the restrictions in dealings in HKEX's securities and reporting requirements under the Model Code, and upon their appointment, they are requested to declare to HKEX his interest, if any, in HKEX's securities.
- 3.3 The key provisions of the Model Code are as follows:
- For the purpose of the Model Code, "dealing" includes, subject to certain exclusions as specified in paragraph 7(d) of the Model Code, (i) any acquisition, disposal or transfer of, or (ii) offer to acquire, dispose of or transfer, or (iii) creation of pledge, charge or any other security interest in, any securities of HKEX or any entity whose assets solely or substantially comprise securities of HKEX, and (iv) the grant, acceptance, acquisition, disposal, transfer, exercise or discharge of any option or other right or obligation to acquire, dispose of or transfer securities, or any interest in securities of HKEX or any such entity, in each case whether or not for consideration and any agreements to do any of the foregoing, and "deal" shall be construed accordingly. (Interpretation 7)
  - The grant to a Director of an option to subscribe or purchase HKEX securities shall be regarded as a dealing by him, if the price at which such option may be exercised is fixed at the time of such grant. If the price is to be fixed at the time of exercise, the dealing is to be regarded as taking place at the time of exercise. (Interpretation 8)
  - When a Director places investment funds under professional management, even where discretion is given, the managers must nonetheless be made subject to the same restrictions and procedures as the Director himself. (Rule A7)
  - A Director must not deal in the securities of HKEX at any time when he possesses inside information in relation to HKEX. (Rule A1)
  - A Director must not deal in the securities of any other listed companies when by virtue of his position as a Director, he



possesses inside information in relation to those securities.  
(Rule A2)

- A Director must not, deal in any securities of HKEX on the day when its financial results are published and:
  - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
  - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarter or half-year period up to the publication date of the results,

unless the circumstances are exceptional, for example, there is a pressing financial commitment to be met under Rule C14, but he must comply with Rule B8 as stated herein below. (Rule A3)

- Restrictions on Directors apply equally to the Director's spouse or infant child (under age of 18) and any interested parties as defined in the SFO. (Rule A6)
- A Director must not deal in any securities of HKEX without first notifying in writing HKEX's Chairman, or in his absence, HKEX's Chief Executive, or failing him, any member of HKEX's Audit Committee, and receiving a dated written acknowledgement. As for HKEX's Chairman, he should first notify HKEX's Chief Executive, or in his absence, any member of HKEX's Audit Committee, and receive a dated written acknowledgement before dealing. In each case,
  - (i) a response to a request for clearance to deal must be given to the relevant Director within five business days (being any day on which SEHK is open for the business of dealing in securities) of the request being made (in practice, the acknowledgement will be issued, as far as practicable, within the same day of the request); and
  - (ii) the clearance to deal in accordance with (i) above must be valid for no longer than five business days of clearance being received.

(Rule B8)

- Any Director who acts as trustee of a trust should ensure that his co-trustees are aware of his capacity as a Director so as to enable them to anticipate possible difficulties. A Director having funds under management should likewise advise the investment manager. (Rule B10)
- Any Director who is a beneficiary, but not a trustee, of a trust should ensure that the trustees: (1) are aware that he is a

Director and (2) notify him after they have dealt in the securities of HKEX on behalf of the trust in order that the Director may in turn make the proper notifications. (Rule B11)

- HKEX's Directors should jointly as a board and severally endeavour to ensure the employees of HKEX or directors or employees of a subsidiary company of HKEX shall not deal in the securities of HKEX when they are likely to possess inside information in relation to HKEX. (Rule B13)

3.4 According to provisions of the Model Code, HKEX is required to disclose in its interim reports and the Corporate Governance Report contained in its annual reports, having made specific enquiry to all its Directors, whether its Directors have complied with, or committed any non-compliance with, the required standard set out in the Model Code.

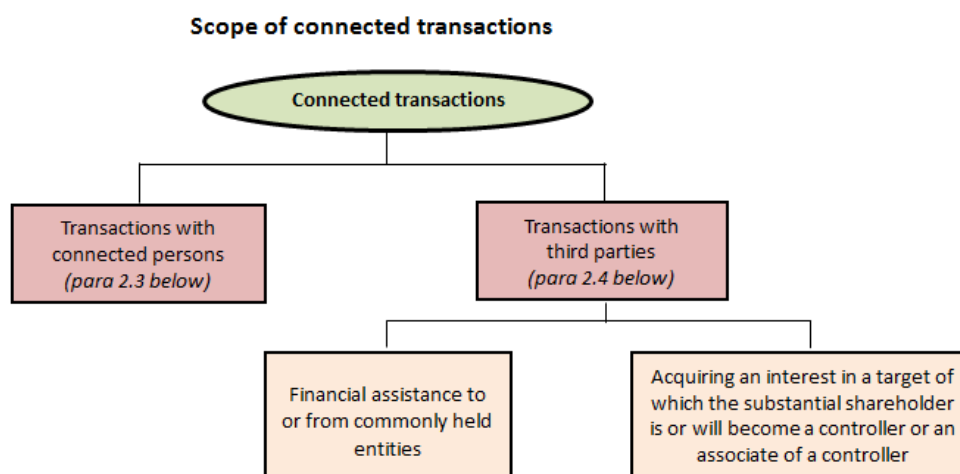
## Chapter 6 CONNECTED TRANSACTIONS

### 1.0 INTRODUCTION

- 1.1 Chapter 14A of the Listing Rules sets out certain disclosure, reporting and/or shareholder approval requirements for “connected transactions” entered into by a listed issuer’s group. In general terms all transactions with connected persons require the publication of an announcement/a circular and independent shareholder approval unless the de minimis or any other exemptions apply.
- 1.2 Under the Listing Rules, a Director (including any person who was a Director in the last 12 months) and his associates (including certain deemed connected persons of HKEX, who are related to the Director) (see paragraphs 2.3.2 and 2.3.3) are connected persons of HKEX, and any transaction between any of such persons and HKEX or any of its subsidiaries will constitute a connected transaction.
- 1.3 To enable HKEX to comply with the disclosure requirements of the Listing Rules, each Director is requested to complete the Initial Disclosure regarding Connected Transactions upon appointment, and on a half-yearly basis, the Half-yearly Confirmation on Connected Transactions. In the event that he is aware of any transaction that may constitute or constitutes a connected transaction of HKEX upon his appointment, during his term of office or within 12 months after cessation of his directorship with the Group company, he shall inform the Group Company Secretary of HKEX immediately.

### 2.0 CONNECTED TRANSACTIONS

- 2.1 Connected transactions include any transaction between HKEX or any of its subsidiaries and a connected person, and specified categories of transactions with third parties that may confer benefits on connected persons through their interests in the entities involved in the transactions. They may be one-off transactions or continuing transactions.



2.2 “Transactions” include both capital and revenue nature transactions, whether or not conducted in the ordinary and usual course of business of HKEX or its subsidiaries. This includes the following types of transactions:

- (i) any acquisition or disposal of assets by HKEX or its subsidiaries including a deemed disposal<sup>9</sup>;
- (ii) HKEX’s or its subsidiaries’ granting, accepting, exercising, transferring or terminating an option<sup>10</sup>, or deciding not to exercise an option, to acquire or dispose of assets or to subscribe for securities;
- (iii) entering into or terminating finance leases or operating leases or sub-leases;
- (iv) granting an indemnity or providing or receiving financial assistance;
- (v) entering into an agreement or arrangement to set up a joint venture in any form (e.g. a partnership of a company), or any other form of joint arrangement;
- (vi) issuing new securities of HKEX or its subsidiaries;
- (vii) providing, receiving or sharing services; or
- (viii) acquiring or providing raw materials, intermediate products and/or finished goods.

### 2.3 Transactions with connected persons

Any transaction between HKEX or any of its subsidiaries and a connected person is a connected transaction.

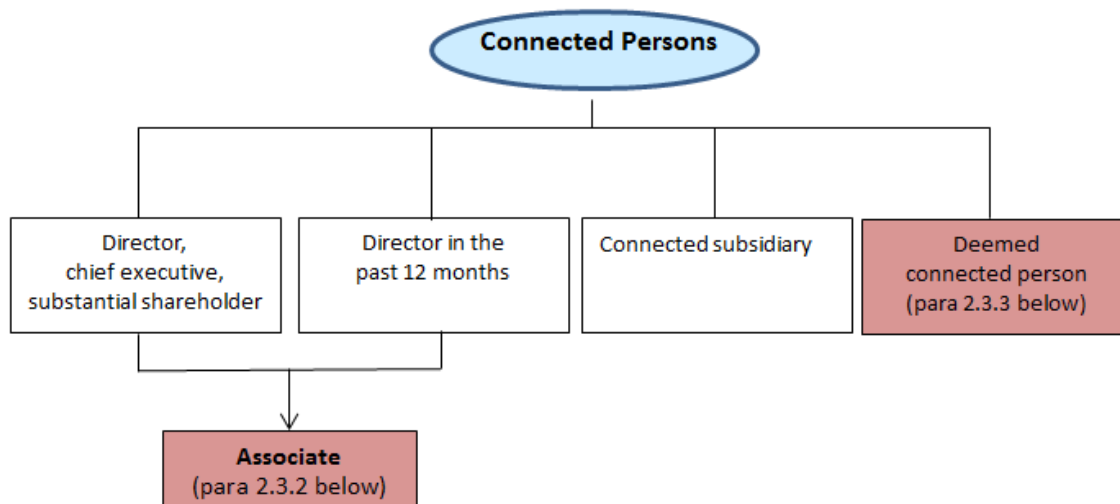
#### 2.3.1 “Connected persons” of HKEX include:

- (i) a director, chief executive and substantial shareholder of HKEX or its subsidiaries;
- (ii) any person who was a director of HKEX or any of its subsidiaries in the last 12 months;
- (iii) any associate of any of the persons as referred to in (i) or (ii) above;
- (iv) a connected subsidiary; or
- (v) a person deemed to be connected by the SFC.

---

<sup>9</sup> A “**deemed disposal**” means allotments of share capital by a subsidiary of HKEX which would result in a reduction of the percentage equity interest of HKEX in such subsidiary.

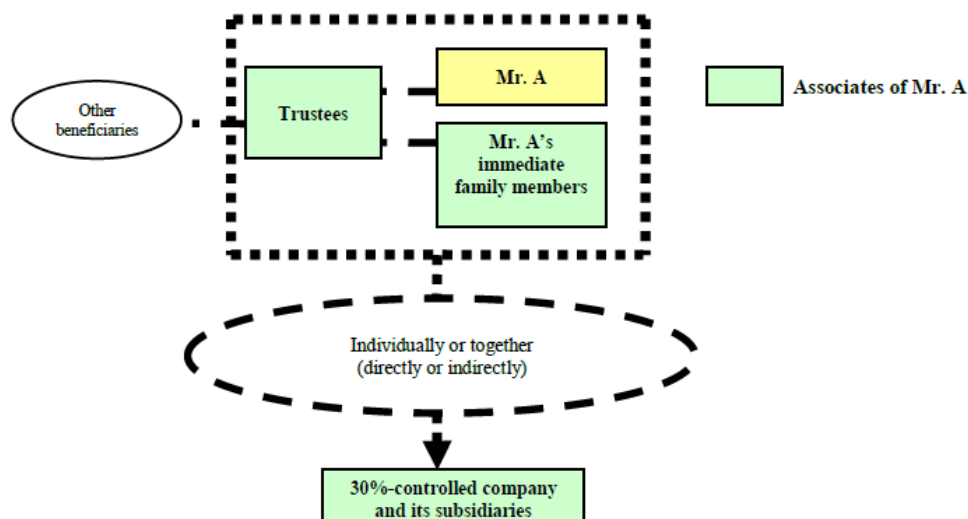
<sup>10</sup> An “**option**” shall have the meaning given to it under Rule 14.72 of the Listing Rules, and it refers to the right, but not obligation, to buy or sell something.



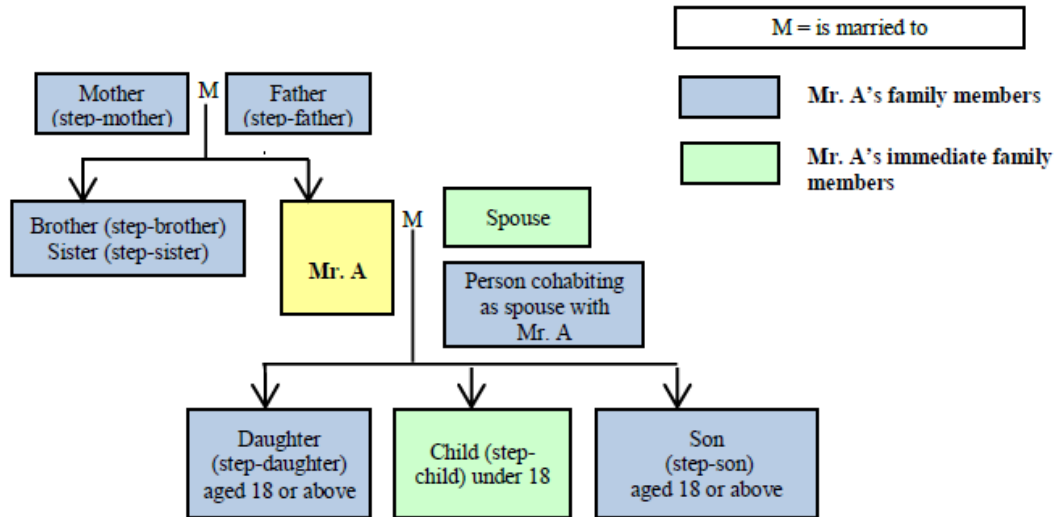
Connected persons do not include wholly-owned subsidiaries of HKEX. Connected persons described in 2.3.1(i) and (ii) above do not include a director, chief executive or substantial shareholder of HKEX's insignificant subsidiaries (see 3.6 below).

2.3.2 An "associate" of a connected person described in 2.3.1(i) and (ii) above who is an individual includes:

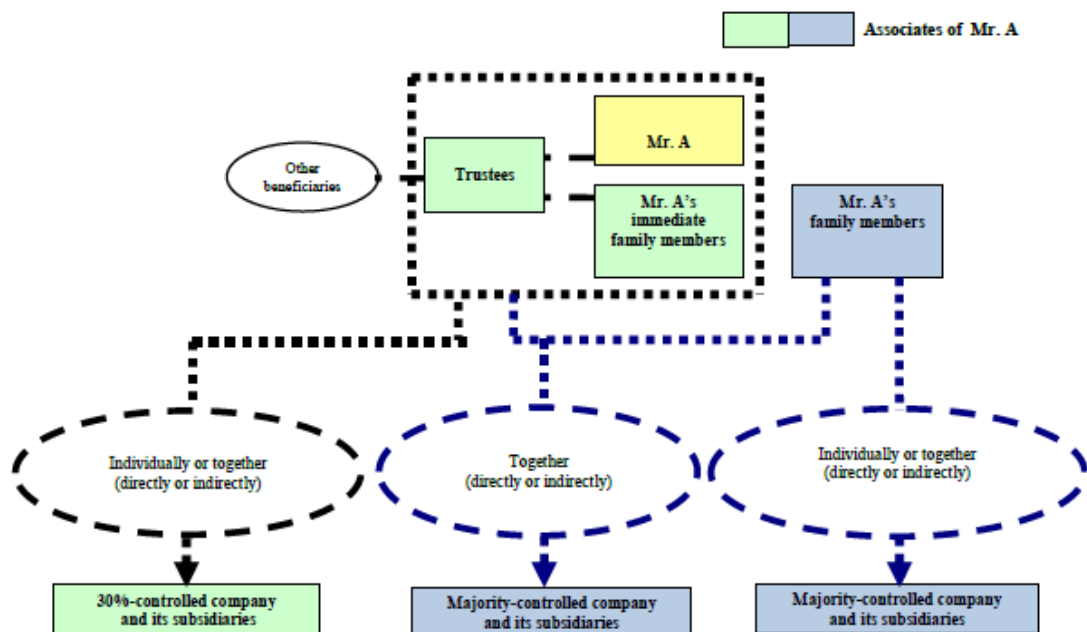
- (i) his spouse, his (or his spouse's) child or step-child, natural or adopted, under the age of 18 years (each an "immediate family member");
- (ii) the trustees, acting in their capacity as such trustees of any trust of which the individual or his immediate family member is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object (other than a trust which is an employees' share scheme or occupational pension scheme established for a wide scope of participants and the connected persons' aggregate interests in the scheme are less than 30%) (the "trustees"); or
- (iii) a 30%-controlled company held, directly or indirectly, by such person, his immediate family members and/or the trustees (individually or together), or any of its subsidiaries; or



- (iv) a person cohabiting with him as a spouse, or his child, step-child, parent, step-parent, brother, step-brother, sister or step-sister (each a “family member”); or



- (v) a majority-controlled company held, directly or indirectly, by the family members (individually or together), or held by the family members together with such person, his immediate family members and/or the trustees, or any of its subsidiaries.

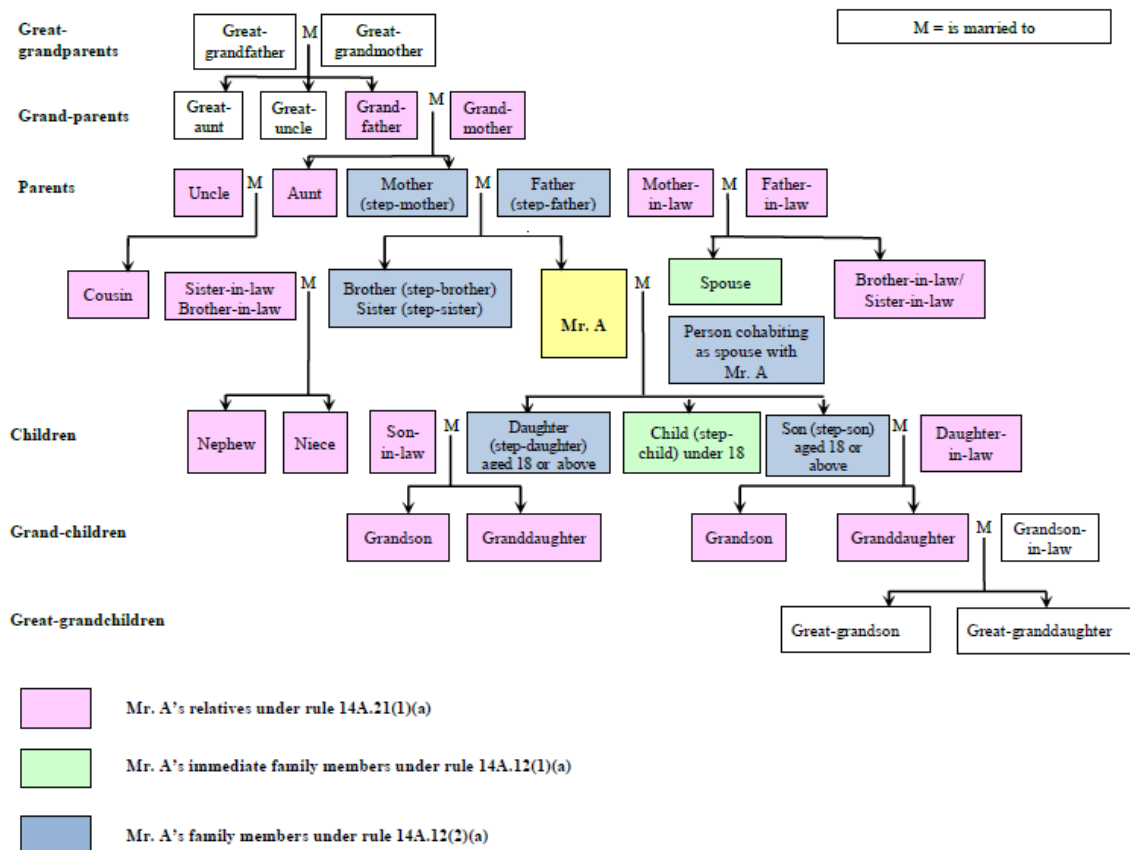


### 2.3.3 Deemed connected persons

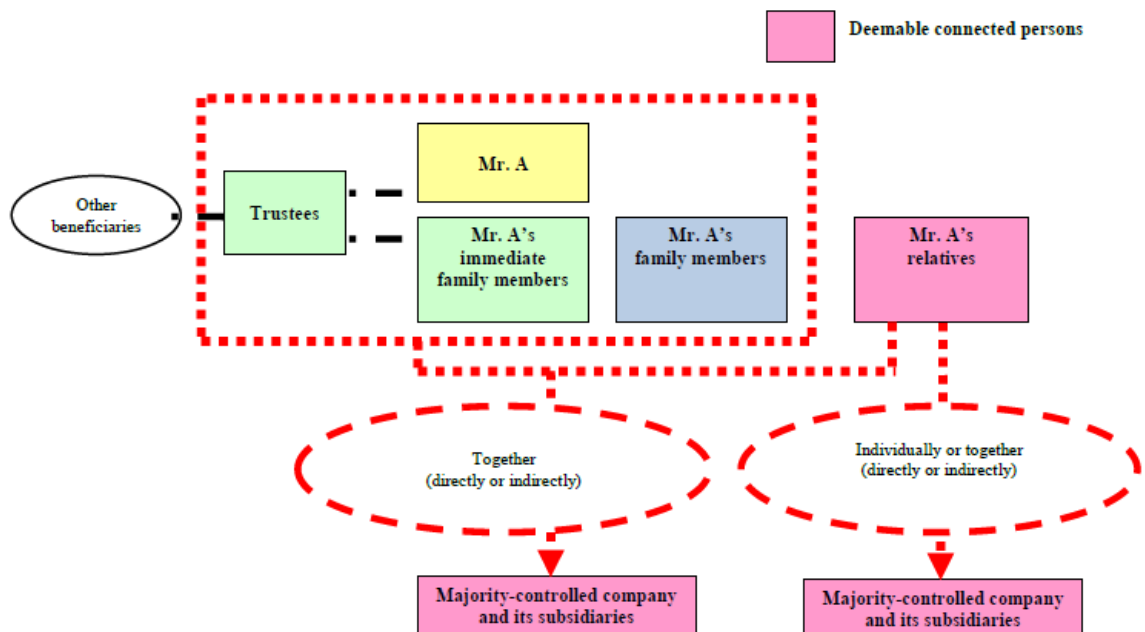
A “deemed connected person” includes a person:

(i)(a) who is:

- (1) his father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, grandparent, grandchild, uncle, aunt, cousin, nephew and niece (each a “relative”) of a connected person described in 2.3.1(i) and (ii) above; or



- (2) a majority-controlled company held, directly or indirectly, by the relatives (individually or together), or held by the relatives together with such person, the trustees, his immediate family members and/or family members, or any subsidiary of that majority-controlled company; and



- (i)(b) whose association with the connected person is such that, in the SFC's opinion, the proposed transaction should be subject to the connected transaction requirements.
- (ii) who has entered, or proposes to enter, into a transaction with HKEX or any of its subsidiaries, and an agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person described in 2.3.1(i) and (ii) above with respect to the transaction, and who, in the SFC's opinion, should be considered as a connected person.

Under the Listing Rules, HKEX must inform the SFC of any proposed transaction with deemed connected person unless it is exempt from all of the connected transaction requirements. It must provide information to the SFC to demonstrate whether or not the transaction should be subject to connected transaction requirements.

## 2.4 Transactions with third parties

### ➤ Financial assistance to or from commonly held entities

Financial assistance provided by HKEX or any of its subsidiaries to, or received by HKEX or any of its subsidiaries from, a commonly held entity is a connected transaction.



➤ Acquiring an interest in a company

HKEX or any of its subsidiaries acquiring an interest in a company (the “target company”) from a person who is not a connected person is a connected transaction if the target company’s substantial shareholder:

- (i) is, or is proposed to be, a controller; or
- (ii) is, or will, as a result of the transaction, become, an associate of a controller or proposed controller.

The SFC may aggregate the interests of the controller and his or its associates in the target company to decide whether they together are the target company’s substantial shareholder.

### **3.0 DEFINITIONS**

- 3.1 A “30%-controlled company” means a company held by a person who can (a) exercise or control the exercise of 30% (or an amount for triggering a mandatory general offer under the Code on Takeovers and Mergers approved by the SFC) or more of the voting power at general meetings, or (b) control the composition of a majority of the board of directors.
- 3.2 A “commonly held entity” means a company whose shareholders include (i) HKEX or any of its subsidiaries, and (ii) any connected person(s) at the level of HKEX who, individually or together, can exercise or control the exercise of 10% or more of the voting power at the company’s general meeting. This 10% excludes any indirect interest held by the connected person(s) through HKEX.
- 3.3 A “connected subsidiary” means a non wholly-owned subsidiary of HKEX where any connected person(s) at the level of HKEX, individually or together, can exercise or control the exercise of 10% or more of the voting power at the subsidiary’s general meeting, or any subsidiary of such non wholly-owned subsidiary. The 10%-voting power as referred above excludes any indirect interest in the subsidiary which is held by the connected person(s) through HKEX.
- 3.4 A “controller” means a director, chief executive or controlling shareholder (ie,  $\geq 30\%$  or in a position to control the composition of a majority of the board of directors) of HKEX.
- 3.5 “Financial assistance” includes granting credit, lending money, or providing an indemnity against obligations under a loan, or guaranteeing or providing security for a loan.

- 3.6 An “insignificant subsidiary” means a subsidiary of HKEX, whose total assets, profits and revenue compared to that of the Group are less than (a) 10% under the percentage ratios for each of the latest three financial years (or if less, the period since the incorporation or establishment of the subsidiary); or (b) 5% under the percentage ratios for the latest financial year.
- 3.7 A “majority-controlled company” means a company held by a person who can exercise or control the exercise of more than 50% of the voting power at general meetings, or control the composition of a majority of the board of directors.
- 3.8 A “substantial shareholder” in relation to a company means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company.

#### **4.0 WAIVERS FROM THE SFC ON CONNECTED TRANSACTIONS**

- 4.1 The SFC had since 21 June 2000, granted waivers to HKEX from strict compliance with the Listing Rules (Chapter 14 which was revised as Chapter 14A with effect from 31 March 2004) in respect of certain ongoing connected transactions of HKEX.
- 4.2 The “connected persons” as covered under the waivers are:
- Directors or associates of Directors of any member of the Group which are or may become Exchange Participants, Clearing Participants and/or holders of Trading Rights;
  - associates of Directors of any member of the Group which are or may become listed companies on SEHK or listing applicants; and
  - Directors or associates of Directors of any member of the Group which are or may become “Buy-in Brokers” for and on behalf of HKSCC.
- 4.3 Activities conducted between the connected persons and the Group in its regulatory role regarding its operation of the respective exchanges and clearing houses under the applicable rules of the Group are not “transactions” for the purposes of the “connected transactions” requirements in Chapter 14A of the Listing Rules. Without limiting the generality of the foregoing, these activities include the disciplinary proceedings against them as Exchange Participants or Clearing Participants, and the vetting of announcements, circulars or other documents to be issued by the relevant connected persons as listed companies pursuant to the Listing Rules.

Whilst the regulatory type activities carried out by the Group on those relevant connected persons are not governed by the connected transaction rules in the Listing Rules, the Directors of any member of the Group are nonetheless required to observe the applicable rules and guidelines of the relevant Group company in dealing with potential or actual conflict of interest situations when such regulatory activities relate to associates of the relevant Directors of any member of the Group.

4.4 The following connected transactions (collectively referred as “Connected Transactions”) are waived from strict compliance with the connected transaction requirements in Chapter 14A of the Listing Rules:

- all transactions between a relevant connected person and the Group arising from or in connection with that person’s use, or proposed use, of (i) the facilities provided by the Group for the trading, clearing and/or settlement of securities and futures products and transactions, and (ii) all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing;
- all transactions between a relevant connected person and the Group arising from or in connection with that person’s listing, or proposed listing, of securities on a market maintained by the Group and all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing; and
- all transactions between a relevant connected person and the Group arising from or in connection with HKSCC arrangement on behalf of a Clearing Participant for (i) carrying out “buy-in” when a Clearing Participant fails to deliver securities on time for settlement under the Continuous Net Settlement (CNS) System or the Isolated Trades System operated by CCASS (Central Clearing and Settlement System); (ii) the purchase or sale of securities in connection with the liquidation of defaulting Participant’s positions; and (iii) the sale of entitlements of securities held through CCASS (collectively referred as “Buy-in Transactions”).

4.5 Under the waivers granted by the SFC, the Connected Transactions shall be exempted from the requirements of Chapter 14A of the Listing Rules in relation to the continuing connected transactions, subject to the conditions that:

- (a) (i) the Connected Transactions are entered into in the ordinary and usual course of business of the Group and on normal commercial terms or on terms no more favourable than terms available to independent third parties;

- (ii) the Connected Transactions other than Buy-in Transactions are conducted in accordance with the rules and regulations of the relevant Group company governing such transactions and where the rules and regulations do not govern these transactions in full, in accordance with the standard terms and conditions of the relevant Group company relating to such transactions;
  - (iii) the Connected Transactions which are Buy-in Transactions are conducted in accordance with the standard terms and conditions of HKSCC applicable generally to all Buy-in Brokers and at the mutually agreed commission rate payable by HKSCC in respect of all such Buy-in Transactions generally; and
  - (iv) the Connected Transactions are in the opinion of HKEX's Directors fair and reasonable so far as the Shareholders are concerned and in the interests of the Shareholders as a whole.
- (b) for Connected Transactions other than Buy-in Transactions, the details set out in the Listing Rules shall be disclosed in HKEX's subsequent annual reports provided however that the dates and the total consideration of the transactions need not be disclosed but instead there should be disclosure of the period during which the transactions were conducted;
- (c) for the Connected Transactions that are Buy-in Transactions, the details set out in the Listing Rules shall be disclosed in HKEX's subsequent annual reports provided however that the dates of the transactions need not be disclosed but instead there should be disclosure of the period during which the transactions were conducted; and
- (d) HKEX would give the SFC prior notice of any proposed change in its procedures concerning the Buy-in Transactions or its terms with Buy-in Brokers generally or with connected Buy-in Brokers specifically. Pending an agreement being reached with the SFC as to the appropriate treatment of Buy-in Transactions following any such change, HKEX shall procure that no company within the Group shall enter into any such transactions with the connected persons.

For the avoidance of doubt, the annual review requirements in the Listing Rules must be complied with in relation to the Connected Transactions.

- 4.6 To enable HKEX to comply with the disclosure requirements of the Listing Rules, a Director is requested to complete the Initial Disclosure regarding Connected Transactions upon his appointment and deliver it to the Group Company Secretary of HKEX as soon as possible. In the event that he is aware of any transaction that may constitute or constitutes a connected transaction of HKEX as a result of his appointment as a Director, he shall inform the Group Company Secretary of HKEX immediately. To ensure compliance with the connected transaction requirements and to meet the disclosure requirement in relation to paragraph 4.5 above, Directors are also requested to complete the Half-yearly Confirmation on Connected Transactions.

## Chapter 7

### CORPORATE GOVERNANCE CODE

#### 1.0 INTRODUCTION

- 1.1 The CG Code sets out (a) the mandatory requirements for disclosure in an issuer's Corporate Governance Report; and (b) the principles of good corporate governance ("Principles"), the code provisions on a "comply or explain" basis and certain recommended best practices. Issuers are encouraged to adopt the recommended best practices which are for guidance only, on a voluntary basis. Issuers must state whether they have complied with the code provisions for the relevant accounting period in their interim reports and annual reports. If an issuer considers that it can adopt the Principles without applying the code provisions, it may deviate from the code provisions provided that the issuer sets out in its interim reports and in the Corporate Governance Report of its annual reports considered reasons for the deviation and explain how good corporate governance was achieved by means other than strict compliance with the code provisions. Issuers are encouraged to state whether they have complied with the recommended best practices and give considered reasons for any deviation.
- 1.2 For the purpose of the CG Code, the provisions about the Board, Chairman, Director(s), Chief Executive and Committee(s) are applicable to that of HKEX.

#### 2.0 KEY PROVISIONS

- 2.1 The principles of good corporate governance and relevant code provisions are delineated in Part 2 of the CG Code under six sections and are categorised as follows:

**Section A: Corporate Purpose, Strategy and Governance**

- A.1 – Corporate strategy, business model and culture
- A.2 – Corporate Governance Functions

**Section B: Board Composition and Nomination**

- B.1 – Board composition, succession and evaluation
- B.2 – Appointments, re-election and removal
- B.3 – Nomination Committee

**Section C: Directors' Responsibilities, Delegation and Board Proceedings**

- C.1 – Responsibilities of directors
- C.2 – Chairman and Chief Executive
- C.3 – Management functions
- C.4 – Board Committees

- C.5 – Conduct of board proceedings and supply of and access to information
- C.6 – Company Secretary

#### **Section D: Audit, Internal Control and Risk Management**

- D.1 – Financial reporting
- D.2 – Risk management and internal control
- D.3 – Audit Committee

#### **Section E: Remuneration**

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

#### **Section F: Shareholders Engagement**

- F.1 – Effective communication
- F.2 – Shareholders meetings

2.2 Certain key principles and code provisions are set out below:

##### **A. Corporate Purpose, Strategy and Governance**

- The board should establish the issuer's purpose, values and strategy, and satisfy itself that these and the issuer's culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture.
- The directors should include a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.
- The terms of reference of the board (or a committee or committees performing this function) should include at least: (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the issuer's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

##### **B. Board Composition and Nomination**

- The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business.

- The board should review the implementation and effectiveness of the issuer's policy on board diversity on an annual basis.
- An issuer should establish mechanism(s) to ensure independent views and input are available to the board and disclose such mechanism(s) in its Corporate Governance Report. The board should review the implementation and effectiveness of such mechanism(s) on an annual basis.
- There should be a formal, considered and transparent procedure for the appointment of new directors.
- All directors should be subject to re-election at regular intervals.
- The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties, which include, inter alia, to: review the structure, size and composition of the board at least annually to complement the issuer's corporate strategy; identify individuals suitably qualified to become board members; assess the independence of independent non-executive directors; and make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

### **C. Directors' Responsibilities, Delegation and Board Proceedings**

- Every director must always know their responsibilities as a director of an issuer and its conduct, business activities and development; and should participate in continuous professional development to develop and refresh his knowledge and skills. Directors should provide a record of the training they received to the issuer.  
  
Directors' Training Guidelines serve to assist HKEX's Directors in complying with the CG Code and ensure that HKEX's Directors give adequate importance to training and development. HKEX's Directors shall complete "Register of Training" form for disclosing their training received.
- An issuer should arrange appropriate insurance cover in respect of legal action against its directors.
- The roles of chairman and chief executive should be separate and should not be performed by the same individual.
- The chairman should provide leadership for the board and ensure that the board works effectively and performs its responsibilities.



- The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.
- The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.
- An issuer should formalise the functions reserved to the board and those delegated to management and should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs.
- All board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.
- The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.
- Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. An agenda and accompanying board papers should be sent in full at least three days before the date of the meeting.
- Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.
- Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed.
- There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.
- The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

## **D. Audit, Internal Control and Risk Management**

- Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13.
- The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.
- The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, financial reporting functions, as well as those relating to the issuer's ESG performance and reporting.
- The issuer should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.
- The audit committee's written terms of reference should include, inter alia, to: monitor the relationship with the issuer's auditors; review the issuer's financial information; oversee the issuer's financial reporting system, risk management and internal control systems; and review arrangements for employees to raise concerns about possible improprieties.

## **E. Remuneration**

- The remuneration committee's written terms of reference should include, inter alia, to: make recommendations to the board on the issuer's policy and structure for all directors' and senior management remuneration, and on the establishment of a formal and transparent procedure for developing remuneration policy.

## **F. Shareholders Engagement**

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

### **3.0 CORPORATE GOVERNANCE REPORT**

Issuers are required to include a report on corporate governance practices (the “Corporate Governance Report”) prepared by the board of directors in their annual reports according to Appendix 14 to the Listing Rules. The Corporate Governance Report shall contain all the information set out in the section headed “Part 1 – Mandatory disclosure requirements” of Appendix 14 to the Listing Rules. Any failure to do so will be regarded as a breach of the Listing Rules.

## Chapter 8 GOVERNANCE STRUCTURE

### 1.0 GOVERNANCE STRUCTURE

1.1 A [diagram](#) summarising the established governance structure of HKEX is available in the Corporate Governance section of the HKEX Group website.

1.2 The Board plays a central supporting and supervisory role in HKEX's governance structure. It provides leadership and guidance to the Group's activities, and oversees the execution of the Group's business strategies. In fulfilling HKEX's public responsibilities and corporate responsibilities, the Board leads and supervises the Group's management to act in the interest of the public as well as its shareholders, but in case of conflict, the former shall prevail.

1.3 The Board's roles and functions are set out in the Board's terms of reference. Specific matters reserved for the Board's consideration and decision are –

- To determine the Group's objectives, missions, strategies, policies and business plans and monitor their implementation
- To set appropriate policies to manage risks in pursuit of the Group's strategic objectives
- To ensure the integrity of the Group's accounting and financial reporting system and compliance with the relevant laws and standards, and that appropriate internal control systems are in place, including systems for risk management, as well as financial and operational control
- To monitor and control the Group's operations and financial performance through the determination of the annual budget in particular the capital expenditure budget and annual operating plan
- To ensure a transparent Board nomination and election process
- To appoint key senior executives and oversee succession planning
- To ensure timely and accurate disclosure to and communications with stakeholders
- To monitor the effectiveness of the Group's practices in corporate governance and corporate social responsibility ("CSR"), and approve corporate governance and CSR policies and practices

- To oversee the effectiveness of the compensation structure and to align interests of the employees with that of HKEX
- To ensure the adequacy of resources, and staff qualifications and experience of the Group's accounting and financial reporting function

1.4 The Board delegates certain management and operation functions to the Management Committee of HKEX, and other specific functions to various Board Committees, with a view to operating effectively, and giving appropriate attention and considerations to relevant matters.

1.5 The key functions, composition and operating mode of these governing bodies of HKEX are summarised in the table below:

	<b>Key functions</b>	<b>Composition</b>	<b>Operating mode</b>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>➤ To serve as a focal point for communication between the Directors, external auditor and Internal Audit Department</li> <li>➤ To assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, and monitoring and reviewing the effectiveness of the Group's internal controls and the adequacy of the external and internal audits</li> <li>➤ To review the appointment of external auditor on an annual basis as well as to oversee all relationships with the external auditor to ensure continuing auditor independence</li> <li>➤ To review the Group's assessment of corruption risks and related mitigating controls and to oversee compliance with the Group's anti-bribery and anti-corruption policies and guidelines</li> <li>➤ To review whistleblowing arrangements for the Group's employees and other stakeholders and to ensure that proper arrangements are in place for fair and independent investigation of the concerns raised and for appropriate follow-up action</li> </ul>	<ul style="list-style-type: none"> <li>➤ at least 5 INEDs who are either qualified accountants or professionals with extensive experience in financial management</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least 4 times a year with additional meetings as the work demands</li> </ul>

	<b>Key functions</b>	<b>Composition</b>	<b>Operating mode</b>
<b>Board Executive Committee</b>	<ul style="list-style-type: none"> <li>➤ To receive updates and/or approve material operational matters of the Group, including but not limited to: <ul style="list-style-type: none"> <li>• Approve changes in trading and clearing rules/procedures, and suspension or termination of existing business lines</li> <li>• Review updates on market receptions of new products, services and business lines, and any delisting, suspension or termination of trading/clearing products</li> <li>• Receive updates on changes to the organisation structure of the Group and to the composition of the Management Committee</li> <li>• Review and approve proposals to establish any direct or indirect wholly-owned subsidiary of HKEX with an initial capital exceeding HK\$100 million (or HK\$ equivalent), but not exceeding HK\$200 million (or HK\$ equivalent), or any branch or representative office of the Group</li> <li>• Approve and receive updates on market consultations that are related to the Group's strategic initiatives</li> <li>• Receive updates on Group's expenditures under annual budget, and approve relevant changes in budgets, excess expenditures, and write-off/disposal of IT equipment within certain monetary limits</li> <li>• Approve intercompany loans to non-wholly owned subsidiaries or new bank borrowings or facilities within certain monetary limits, and any early repayment or cancellation</li> <li>• Oversee compliance with the Group's Articles of Association</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ HKEX's Chairman (as the chairman)</li> <li>➤ Chief Executive</li> <li>➤ 3 INEDs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least once every quarter with additional meetings as the work demands</li> </ul>

	<b>Key functions</b>	<b>Composition</b>	<b>Operating mode</b>
<b>Corporate Social Responsibility Committee</b>	<ul style="list-style-type: none"> <li>➤ To oversee the development of HKEX's CSR vision, strategy and policies</li> <li>➤ To oversee the implementation of HKEX's CSR vision and strategy</li> <li>➤ To oversee the funding of HKEX's CSR initiatives</li> <li>➤ To oversee HKEX's external communications policies</li> </ul>	<ul style="list-style-type: none"> <li>➤ HKEX's Chairman (as the chairman)</li> <li>➤ Chief Executive</li> <li>➤ at least 3 other INEDs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least 3 times every year with additional meetings as the work demands</li> </ul>
<b>Investment Committee</b>	<ul style="list-style-type: none"> <li>➤ To provide market expertise and advice to the Board on the investments of Corporate funds, Clearing House funds and Margin funds, including advice on investment policies, asset allocation, selection of external portfolio investment advisor/fund managers, quantum to be invested with collective investment schemes/fund managers and appointment of custodians</li> </ul>	<ul style="list-style-type: none"> <li>➤ not less than 4 INEDs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least 4 times a year with additional meetings as the work demands</li> </ul>
<b>Listing Operation Governance Committee</b>	<ul style="list-style-type: none"> <li>➤ To oversee the operation and management of the Listing Division, with the view to ensuring that it can perform the listing functions of SEHK independently, prudently and competently, in the proper discharge of SEHK's statutory duties as the front-line regulator of listed issuers</li> </ul>	<ul style="list-style-type: none"> <li>➤ at least 3 Non-executive Directors of HKEX</li> <li>➤ the Chairman of SEHK's Main Board Listing Committee and at least one Deputy Chairman of either the Main Board or the GEM Listing Committee</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least 4 times a year with additional meetings as the work demands</li> </ul>

	<b>Key functions</b>	<b>Composition</b>	<b>Operating mode</b>
<b>Nomination and Governance Committee</b>	<ul style="list-style-type: none"> <li>➤ To review the Board composition and diversity at least once annually and make recommendations on any proposed changes to the Board</li> <li>➤ To review the Board Diversity Policy and the progress on achieving the objectives set for implementing the policy</li> <li>➤ To formulate nomination policy, and to lead the process of identifying and nominating candidates to stand for election by our shareholders or to fill casual vacancies</li> <li>➤ To consider the skills mix needed in respect of Government Appointed Directors and make recommendations to the Board</li> <li>➤ To review the skills mix required in respect of Board Committees and make recommendations to the Board</li> <li>➤ To review succession planning for the Chairman, the Chief Executive and the senior management together with the Board</li> <li>➤ To assess the independence of Non-executive Directors and review their annual confirmations on their independence</li> <li>➤ To review the leadership needs and training of the Group and training and development of the Directors</li> <li>➤ To oversee all matters relating to corporate governance</li> <li>➤ To develop the procedures for the performance evaluation of the Board and Board Committees</li> </ul>	<ul style="list-style-type: none"> <li>➤ HKEX's Chairman (as the chairman)</li> <li>➤ at least 3 other INEDs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least 3 times every year with additional meetings as the work demands</li> </ul>



	<b>Key functions</b>	<b>Composition</b>	<b>Operating mode</b>
<b>Remuneration Committee</b>	<ul style="list-style-type: none"> <li>➤ To formulate the remuneration structure and policy with respect to all Group employees and implement the approved policy</li> <li>➤ To review and approve the remuneration of the Chief Executive, senior management, members of the Management Committee, senior direct-reports to the Chief Executive and any proposed new hire whose total remuneration may exceed the threshold set by the committee from time to time</li> <li>➤ To make proposals to the Board regarding the remuneration of Non-executive Directors</li> <li>➤ To review the terms of and design of performance related incentives and make recommendation on the performance related payments or annual bonuses to the Chief Executive, senior management and other relevant employees</li> <li>➤ To review the framework and criteria for assessing employee performance and review the actual performance of the Group against performance targets and conditions</li> </ul>	<ul style="list-style-type: none"> <li>➤ at least 4 INEDs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least 3 times every year with additional meetings as the work demands</li> </ul>

	<b>Key functions</b>	<b>Composition</b>	<b>Operating mode</b>
<b>Risk Committee</b>	<ul style="list-style-type: none"> <li>➤ To advise the Board on the Group's risk appetite, profile and tolerance</li> <li>➤ To oversee the Group's risk management framework with a view to identifying and managing the financial, model, operational, fraud, business continuity, legal, regulatory, technology, reputational, environmental, social and corporate governance, information security and cyber risks, and risks associated with the strategic direction, new products and change initiatives of the Group</li> <li>➤ To consider current and emerging risks and risk exposures relating to the Group's business and strategies, and review the Group's capability to identify, measure and manage emerging risks effectively</li> <li>➤ To review the effectiveness of the Group's risk control and mitigation tools, approach and methodology</li> </ul>	<ul style="list-style-type: none"> <li>➤ at least 4 INEDs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least 4 times a year with additional meetings as the work demands</li> </ul>
<b>Risk Management Committee (statutory)</b> <i>(established in compliance with section 65 of the SFO)</i>	<ul style="list-style-type: none"> <li>➤ To formulate policies on risk management matters relating to the activities of HKEX, and of its exchange companies and clearing houses, and to submit such policies to the Board for its consideration</li> <li>➤ To review and assess policies employed by HKEX pertaining to significant risk areas</li> <li>➤ To advise on matters raised by the Directors and the management that may have an impact on the stability and integrity of the securities and derivatives markets of Hong Kong</li> </ul>	<ul style="list-style-type: none"> <li>➤ HKEX's Chairman</li> <li>➤ 2 INEDs</li> <li>➤ 3 to 5 members appointed by the Financial Secretary of Hong Kong</li> </ul>	<ul style="list-style-type: none"> <li>➤ Normally meet once every quarter</li> </ul>

	Key functions	Composition	Operating mode
<b>Management Committee</b>	<ul style="list-style-type: none"> <li>➤ To oversee and make recommendations to the Board as to HKEX's business, including strategic plan, annual operating plan and budgets</li> <li>➤ To oversee and make recommendations to the Board Executive Committee as to the policies of major new services and products in new asset classes</li> <li>➤ To approve HKEX's operating and capital expenditures in accordance with the Expense Approval Guide</li> <li>➤ To oversee the Group's compliance with all statutory duties</li> </ul>	<ul style="list-style-type: none"> <li>➤ HKEX's Chief Executive</li> <li>➤ Senior management of the Group as approved by the Board Executive Committee from time to time</li> </ul>	<ul style="list-style-type: none"> <li>➤ Meet at least 2 times every month</li> </ul>

- 1.6 In February 2019, HKEX established an International Advisory Council. The Council, comprising leading finance, business, technology and economic experts with global geopolitical perspectives, provides the Board with insights on global geopolitical situation, the new economy and global policy initiatives which may have an impact on the financial sector, and advises on any other issues as may be raised by the Board from time to time.

The Council is chaired by HKEX's Chairman and it meets twice a year. Additional meetings are to be held as the Chairman considers necessary.

- 1.7 In July 2021, HKEX established a Mainland China Advisory Group. The Advisory Group comprises senior industry experts with deep China market knowledge and experience, who act as advisors to the Board of HKEX on the development of China's financial markets and economy.

## 2.0 CONFLICT COMMITTEE

- 2.1 One of the key provisions in the MOU for listing is the set-up of an HKEX's Conflict Committee to resolve issues relating to conflict of interest, as contemplated by Section 74 of the SFO.
- 2.2 HKEX shall use its best endeavours to ensure that staff within HKEX and companies of which it is the controller are alert to, and identify, conflicts of interest or potential conflicts of interest which may arise in the course of the performance of regulatory functions. If a conflict of interest or potential conflict of interest involving any relevant contract, arrangement or other proposal which involves sums exceeding 3% of the most recent book value of net tangible assets of HKEX, the transaction shall be reported to the HKEX's Conflict Committee. The Committee members comprises HKEX's Chief Executive Officer and other senior executives of the Group, including LME's Chief Executive, Co-Chief Operating Officers and Group Chief Financial Officer.
- 2.3 If the Conflict Committee rules that the transaction will not constitute any conflict of interest, the case will be filed for record only.

- 2.4 If the Conflict Committee rules that there may be a conflict and considers that the conflict can be resolved, then the Committee will make written proposals to the SFC for its consideration.
- 2.5 If the Conflict Committee rules that the transaction involves a conflict of interest and the matter cannot be resolved, the case must be referred to the SFC's executives who will then exercise the powers and functions as more specifically described under paragraph 11 of the MOU for listing.
- 2.6 In case where the SFC's executives and the members of the Conflict Committee have a conflicting point of view, the MOU for listing provides an appeal mechanism such that the case will be escalated to the SFC's board for final judgement.