

COMPLIANCE AND COMPANY SECRETARIAL PRACTICE OF HONG KONG LISTED COMPANIES

SECOND EDITION

Andrew Tsang
Ricky Lai
Francis Cheng

DUO

PRINT + PROVIEW EBOOK

SWEET & MAXWELL

TABLE OF CONTENTS

<i>Disclaimer Statements</i>	v
<i>List of Authors</i>	vii
<i>List of Principal Characters and Parties</i>	ix
<i>List of Abbreviations</i>	xiii
<i>Preface to the Second Edition</i>	xvii
<i>Table of Cases</i>	xix
<i>Table of Legislation</i>	xxi
<i>Index</i>	739

CHAPTER 1 INTRODUCTION AND OVERVIEW

1. Introduction.....	1.001
2. CS Group (A Fictitious Corporate Group).....	1.006
3. The Listing Process.....	1.009

CHAPTER 2 LISTING CONSIDERATIONS AND LISTING METHODS

1. Listing Considerations.....	2.005
2. Why List?.....	2.006
3. Alternatives to IPO.....	2.011
3.1 Accessing Bond Markets.....	2.011
3.2 Loaning from Banks.....	2.012
3.3 Exit by Mergers and Acquisitions.....	2.013
3.4 Joint Ventures.....	2.014
3.5 Private Equity.....	2.015
4. Listing Methods.....	2.018
4.1 Initial Public Offering.....	2.019
4.2 Placing.....	2.023
4.3 Introduction.....	2.027
4.4 Hong Kong Depositary Receipts (HDRs).....	2.037
4.5 Back Door Listing.....	2.041
4.6 Reverse Takeover.....	2.045

CHAPTER 3 QUALIFICATIONS FOR LISTING AND INITIAL PUBLIC OFFERINGS (IPO): MAIN BOARD AND GROWTH ENTERPRISE MARKET (GEM)

1. The Listing Process.....	2.00
1.1 Prospectus Drafting and Due Diligence.....	2.00
1.2 Further Improvements on Due Diligence Due to the New Sponsor Regime.....	2.00
2. IPO Process: IPO Stages.....	2.00
2.1 IPO Process: IPO Stages.....	2.00
2.2 Why Is It Preferable for CS Privateco Limited to be Listed on the Main Board?.....	2.00
3. Restrictions on Share Disposal Immediately upon Listing.....	2.00
4. Common Problems Encountered and Delays for IPO.....	2.00
4.1 Restructuring Problems.....	2.00
4.2 Accounting.....	2.00
4.3 Personnel Issues.....	2.00
4.4 Taxation Issues.....	2.00
4.5 Legal Issues.....	2.00
4.6 Conclusion.....	2.00
5. Comparison between Compliance under the Main Board and Compliance under the GEM Board.....	3.00
6. Transfer of Listing by a GEM Issuer to the Main Board under a Streamlined Procedure.....	3.00
Appendix to Chapter 3.....	3.00

CHAPTER 4 MEETINGS OF THE LISTED ISSUERS

1. Introduction.....	4.00
2. Approval of Financial Results.....	4.00
2.1 Annual Results.....	4.00
2.2 Interim Results.....	4.00
2.3 Timetable for the Annual and Interim Results Publication.....	4.00
2.4 Checklist for Interim Results Announcement for the Six months Ended 30 June 2023 and Interim Report.....	4.00
2.5 Checklist for Preliminary Results of the Announcement for the Financial Year Ended 31 December 2023 Annual Report, Circular – Explanatory Statement and Notice of Annual General Meeting and Proxy Form.....	4.00
2.6 Annual General Meeting (AGM).....	4.00
2.7 Annual Return.....	4.00
2.8 Quarterly Results.....	4.00
2.9 Declaration of Dividends.....	4.00
3. Other Matters Dealt with During the Period of the Release of Final Results.....	4.00
3.1 Refreshment of the 10% Limit Under the Share Option Scheme Adopted by the Issuer.....	4.00

3.2 Proposed Alteration of the Memorandum or Articles of Association or Equivalent Constitutional Documents of the Issuers.....	4.064
Appendices to Chapter 4.....	115

CHAPTER 5 CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

PART I

1. Linkage between Corporate Governance and Environmental, Social and Governance (“ESG”).....	5.009
2. Corporate Culture.....	5.010
3. Directors’ Securities Transactions.....	5.016
4. The Board of Directors.....	5.025
5. Chairman and Chief Executive.....	5.037
6. Board Diversity.....	5.043
7. Independent Views.....	5.044
8. Long Serving Independent Non-Executive Director (Long Serving INEDs).....	5.049
9. Non-Executive Directors.....	5.055
10. Board Committees.....	5.058
11. Nomination Committee.....	5.064
12. Company Secretary.....	5.069
13. Investor Relations.....	5.072
14. Risk Management and Internal Control.....	5.074
15. Anti-Corruption and Whistleblowing Policy.....	5.085

PART II

16. Checklist of Corporate Governance Report (“CG Report”) of CS Listedco Limited.....	5.092
Environmental, Social and Governance Reporting and Corporate Governance Code.....	5.093

PART A: INTRODUCTION

17. The ESG Guide.....	5.093
18. Overall Approach.....	5.098
19. Reporting Principles.....	5.107
20. Complementing ESG Discussions in the Business Review Section of the Directors’ Report.....	5.108

PART B: MANDATORY DISCLOSURE REQUIREMENTS

21. Governance Structure.....	5.110
22. Reporting Principles Under Mandatory Disclosure Requirement.....	5.112
23. Reporting Boundary.....	5.118

PART C: “COMPLY OR EXPLAIN” PROVISIONS

24. PART A: ENVIRONMENTAL.....	5.152
25. PART B: SOCIAL.....	5.160

CHAPTER 6 CONTINUING OBLIGATIONS AFTER LISTING

1. General Obligations of Disclosure.....	
1.1 Rules 13.09 and 13.10 of the Main Board Listing Rules (the Listing Rules) – Disclosure of Inside Information under Part XIVA of the Securities and Futures Ordinance (SFO).....	
1.2 Unusual Movements in Price or Trading Volume.....	
1.3 Absolute Restrictions for Dealing in a Listed Issuer's Securities.....	
1.4 Positive Profit Alert or Profit Warning.....	
1.5 Press Articles Clarification.....	
2. General Matters Relevant to the Listed Issuer's Business.....	
2.1 Advance to an Entity.....	
2.2 Financial Assistance and Guarantees to Affiliated Companies.....	
2.3 Pledging of Shares by Controlling Shareholders.....	
2.4 Loan Agreements with Covenants Relating to Specific Performance of the Controlling Shareholder.....	
2.5 Breach of Loan Agreement by a Listed Issuer.....	
Appendix to Chapter 6.....	
Appendix to Chapter 6: Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.....	

CHAPTER 7 NOTIFIABLE TRANSACTIONS AND CONNECTED TRANSACTIONS

1. Notifiable Transactions.....	
1.1 Introduction.....	
1.2 Definition of Transactions.....	
1.3 Definition of Subsidiary.....	
1.4 Classifications and Computations of Size Tests.....	
1.5 Classifications of Notifiable Transactions.....	
1.6 Compliance and Procedural Requirements.....	
1.7 Valuation Report.....	
2. Connected Transactions.....	
2.1 Definition of Connected Transactions.....	
2.2 Conferment of Benefits on Connected Persons.....	
2.3 Exceptions to Connected Persons.....	
2.4 Exceptions to Associates.....	
2.5 Exceptions to Subsidiary as a Connected Person.....	
3. Scope of Connected Transactions.....	
3.1 Exemptions for Connected Transactions.....	
3.2 Partially Exempt Transactions.....	
3.3 Non-exempt Transactions.....	

3.4 Aggregation of Transactions.....	7.102
3.5 Compliance Requirements.....	7.108
4. Independent Board Committee.....	7.109
5. Independent Financial Adviser.....	7.111
6. Procedures in Respect of CS Listedco's Acquisition.....	7.114
6.1 Announcement of Discloseable and Connected Transaction.....	7.115
7. Continuing Connected Transactions.....	7.116
7.1 Wholly Exempt Continuing Connected Transaction.....	7.120
7.2 Partially Exempt Continuing Connected Transaction.....	7.121
7.3 Non-exempt Continuing Connected Transactions.....	7.122
7.4 Comparison of Compliance Procedures for Continuing Connected Transactions and Connected Transactions.....	7.123
7.5 Compliance Procedures for CS Listedco Regarding the Continuing Connected Transaction (CCT) Documents.....	7.127
7.6 Connected Transaction in Relation to the Lease Transactions by Adopting Hong Kong Financial Reporting Standard 16 Lease ("HKFRS/IFRS 16").....	7.128
7.7 Announcement of Continuing Connected Transactions.....	7.129
Appendix to Chapter 7.....	387

CHAPTER 8 GENERAL MATTERS RELEVANT TO THE ISSUER'S SECURITIES

1. Different Methods of Fund- or Share Capital-Raising.....	8.001
1.1 Equity and Debt Financing.....	8.001
1.2 Non-Renounceable Basis.....	8.008
2. Alteration, Reorganisation and Reduction of Share Capital.....	8.013
2.1 Increase in Authorised Capital.....	8.014
2.2 Subdivision of Shares.....	8.017
2.3 Consolidation of Shares.....	8.025
2.4 Reduction of Share Capital.....	8.031
3. Share Schemes.....	8.036
3.1 Introduction.....	8.037
3.2 Major Terms of Share Schemes.....	8.039
3.3 Timing of Granting of Share Options or Awards.....	8.040
3.4 Content of Share Scheme.....	8.044
3.5 Content of Announcement Regarding Granting of Share Options or Awards.....	8.047
3.6 Requirement of Shareholders' Approval.....	8.048
3.7 Summary of Follow-Up Matters After Granting of Share Options or Awards.....	8.049
3.8 Sample Extract Announcement of the Grant of Share Options.....	8.050
3.9 Procedures for the Exercise of Share Options.....	8.051
3.10 Refreshment of Share Scheme Limit.....	8.053

4 Shares Buy-Back.....	
4.1 Meaning of Shares Buy-Back	
4.2 Dealing Restrictions.....	
4.3 Follow-Up Matter After Shares Buy-Back.....	
4.4 Types of Repurchase	
4.5 Treasury Shares.....	
5 Public Float	
5.1 Maintenance of Public Float	
6 Monthly Return and Next Day Disclosure Return	
6.1 Requirements for the Submission of a Monthly Return	
6.2 Requirements for Submission of a Next Day Disclosure Return.....	
7 Trading Halt or Suspension and Resumption of Trading of Securities	
7.1 Circumstances for the Suspension of Trading and Trading Halt.....	
 CHAPTER 9 CHANGE OF OFFICERS AND OTHER PERSONNEL	
1 Directors, Chief Executives, Company Secretaries, Authorized Representatives, Committee Members and Other Officers.....	
1.1 Introduction.....	
2 Company Secretaries and Authorized Representatives of a Listed Company	
2.1 Qualification and Professional Training Requirements for Company Secretaries.....	
2.2 Key Roles of Company Secretaries.....	
2.3 Requirements and Responsibilities of Authorized Representatives under the New CO and Listing Rules	
2.4 Change of Company Secretary and Authorized Representative.....	
2.5 Procedures and Checklist for the Change of Company Secretary and Authorized Representative for a Listed Company (Assuming Same Person is Appointed as Both the Company Secretary Authorized Representative of the Company under the New CO and Listing Rules).....	
3 Change of Directors, Board Committee Members and Chief Executive	
3.1 Types of Directors	
3.2 Qualification of Directors	
3.3 INEDs' Qualifications and Independence Requirements	
3.4 Duties of Directors.....	
3.5 Types of Board Committees.....	
3.6 Directors and Officers Insurance	
3.7 Appointment of Directors	
3.8 Roles of the Chairperson and Chief Executive	
3.9 Procedures for Appointment of a Director and a Committee Member of a Listed Issuer	
3.10 Procedures for the Approval of an NED's Remuneration Package.....	

3.11 Procedures for the Re-designation of the Chief Executive.....	9.068
3.12 Announcement Regarding Changes of Directors, Board Committee Members and Re-designation of a Director.....	9.069
3.13 Announcement Regarding List of Directors and Their Roles and Functions.....	9.070
3.14 Procedures for Resignation of a Director or Chief Executive	9.071
3.15 Induction for Directors	9.072
4 Change of Auditors	9.077
4.1 Qualifications and Duties of an Auditor under the Listing Rules and New CO.....	9.081
4.2 Relevant Listing Rules in Relation to Change of Auditors.....	9.087
4.3 Procedures for the Change of an Auditor of a Listed Company (at an AGM).....	9.090
4.4 Specimen Announcement Regarding the Change of Auditors at the Company's AGM	9.091
5 Cayman Island's Share Registrar and Hong Kong Branch Share Registrar.....	9.092
5.1 Change of the Principal Share Registrar and Branch Share Registrar.....	9.092
5.2 Roles of the Principal Share Registrar and Branch Registrar	9.093
5.3 Listing Rules Relating to the Principal Share Registrar and Branch Share Registrar	9.095
5.4 Procedures for the Change of the Principal Share Registrar and Branch Share Registrar	9.096
5.5 Specimen Announcement Regarding the Change of the Principal Share Registrar and Branch Share Registrar.....	9.097
 CHAPTER 10 MISCELLANEOUS	
1 Black-out Period and Directors' Securities Dealing under the Model Code – Appendix C3 to the Listing Rules.....	10.001
1.1 Deemed Interests and Persons Acting in Concert.....	10.002
2 Disclosure of Interests under Part XV of the Securities and Futures Ordinance (SFO).....	10.020
2.1 Director and Substantial Shareholder Interests in the Securities of a Listed Corporation	10.021
2.2 Disclosure of Deemed Interests	10.032
2.3 Exemptions from Reporting Disclosure of Interests.....	10.035
2.4 Timing and Forms of Notification	10.036
2.5 Non-compliance with Regard to Disclosure of Interests	10.041
2.6 Exercise of Share Options – Implication on Disclosure of Interests	10.047
3 Insider Dealing, Market Misconduct and Investigations	10.048
3.1 Definition of Insider Dealing.....	10.052
3.2 Follow-up Measures to Avoid Insider Dealing.....	10.056
4 Change of Company Name or Stock Short Name and Alteration of Articles of Association.....	10.058
4.1 Compliant Procedures for Change of Company Name, Stock Short Name and Proposed Alteration of Articles of Association.....	10.060

5	Corporate or Website Communication.....	
5.1	Publication of Corporate Information on the Issuer's Website.....	
5.2	Current Requirement of Mandatory Electronic Dissemination of Listed Issuers' Corporate Communications to Their Securities Holders.....	
5.3	Follow up Action for Adoption of Corporate Communication by Electronic Means.....	
5.4	Notification Email of Dissemination of Corporate Communication.....	
5.5	Notification letter to registered shareholders and reply form regarding to the receipt of corporate communication.....	
5.6	Two-way electronic communications – Hong Kong incorporated companies.....	
6.	Change in Board Lot Size.....	
6.1	Compliant Procedures for Change in Board Lot Size.....	
6.2	Announcement for Proposed Change in Board Lot Size.....	
7.	Change of Registered Office, Head Office and Principal Place of Business in Hong Kong or Agent for Service of Process in Hong Kong.....	
7.1	Agents for Service of Process in Hong Kong.....	
7.2	Registered Office and Principal Place of Business in Hong Kong.....	
8.	Codes on Takeovers and Mergers and Share Buy-backs.....	
8.1	Codes on Takeovers and Mergers (the Takeovers Code).....	
8.2	Announcement of Subscription of New Shares and Application for Whitewash.....	
8.3	The Code on Share Buy-Backs.....	
	Appendices to Chapter 10.....	
CHAPTER 11 SCHEME OF ARRANGEMENT, RECONSTRUCTIONS (RESUMPTION OF TRADING INSTEAD OF WINDING UP), WINDING UP AND LIQUIDATION, DELISTING, AND CESSATION OF BUSINESS IN HONG KONG		
1.	Winding-Up of Exempted Companies in the Cayman Islands.....	
1.1	Winding-Up by the Court.....	
1.2	Voluntary Winding-Up by its Members or under the Supervision of the Court.....	
1.3	Procedures of Compulsory Winding-Up by the Court.....	
1.4	Grounds for Voluntary Winding-Up by its Members.....	
1.5	Procedures of Voluntary Winding-Up.....	
1.6	Winding-Up Under the Supervision of the Court.....	
1.7	Announcement of Petition for Winding-Up.....	
1.8	Follow-Up Matters After Appointment of Provisional Liquidators.....	
2.	Cessation of Place of Business in Hong Kong.....	
3.	Listing Status.....	
3.1	Delisting Procedures.....	

4.	Scheme of Arrangement.....	11.039
4.1	Introduction.....	11.040
4.2	Procedures for the Approval of the Proposed Scheme.....	11.052
4.3	Announcement of Proposed Restructuring.....	11.055
4.4	Extract of Announcement of Additional Resumption Guidance.....	11.057
4.5	Template Summary Box of Announcement Regarding Restructuring Arrangement.....	11.059
4.6	Extract of Announcement the Discharge of Provisional Liquidators.....	11.060
4.7	Conclusion.....	11.061

CHAPTER 12 HOW TO AVOID SUSPENSION OF TRADING AND DELISTING OF LISTED COMPANIES UNDER THE LISTING RULES? HKEX CONSULTATION CONCLUSIONS ON THE REVIEW OF LISTING RULES AMENDMENTS RELATING TO DISCIPLINARY POWERS AND SANCTIONS WHAT ARE THE AMENDED RULES ON SHARE SCHEMES AND HOW WILL THEY IMPACT YOU? THE PAPERLESS LISTING REGIME HKEX CONSULTATION PAPER ON THE REVIEW OF CORPORATE GOVERNANCE CODE AND RELATING LISTING RULES LISTINGS FOR OVERSEAS ISSUERS, BIOTECH COMPANIES, SPACS AND SPECIALIST TECHNOLOGY COMPANIES

1.	How to Avoid Suspension of Trading and Delisting of Listed Companies under the Listing Rules?.....	12.001
2.	HKEX Consultation Conclusions on the Review of Listing Rules Amendments relating to Disciplinary Powers and Sanctions.....	12.002
3.	What Are the Amended Rules on Share Schemes and How Will They Impact You?.....	12.003
4.	The Paperless Listing Regime.....	12.004
5.	HKEX Consultation Paper on the Review of Corporate Governance Code and Related Listing Rules.....	12.005
6.	Listings for Overseas Issuers, Biotech Companies, Special Purpose Acquisition Companies ("SPACs") and Specialist Technology Companies.....	12.006

PART II

16. CHECKLIST OF CORPORATE GOVERNANCE REPORT ("CG REPORT") OF CS LISTEDCO LIMITED

- 5.092 As mentioned at the beginning, the issuers must include a CG Report prepared by the board of directors in their annual reports and summary financial reports (if any) under paragraphs 34 and 50 of Appendix D2 to the Exchange Listing Rules ("Corporate Governance Report"). The Corporate Governance Report must contain all the information set out in the section headed "Part 1 – Mandatory disclosure requirements" of Appendix C1. Any failure to do so will be regarded as a breach of the Listing Rules. The checklist of a CG Report for a Main Board listed issuer is as follows:

Contents	Listing Rule Provisions (Remarks)
Mandatory Disclosure Requirements (Part 1)	
The issuers must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report:	
The board (the "Board") of directors (the "Directors") of the Company is committed to uphold good corporate governance practices in all aspects of businesses and procedures in safeguarding shareholders' interest to ensure that all aspects of business are conducted in accordance with all applicable laws and regulations.	
Corporate Culture, Value and Strategy	
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.	
CS Listedco Limited has established its corporate culture, value and strategy and should provide the brief explanation of the culture, value and strategy in the CG Report.	

Contents	Listing Rule Provisions (Remarks)
A. Corporate Governance Practices	
Mr. William Leung currently assumes the role of Chairman and Chief Executive of CS Listedco Limited. (Such deviation should be explained and any remedy should be described.)	Codes C.2.1 of Appendix C1
Code C.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Hence, there is a deviation from Code C.2.1. Mr William Leung is the Company's Chairman and Chief Executive. The Board is of the opinion that consolidating the positions of Chairman and Chief Executive in one individual offers the Company robust and coherent leadership, enabling efficient planning and implementation of business strategies and decisions. The Board believes that the present arrangement of vesting the positions of Chairman and Chief Executive in one individual will not impair the equilibrium of power and authority between the Board and the senior management of the Company.	
G. Directors' Securities Transactions	
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Appendix C3 of the Listing Rules (the "Dealing Code"). The Dealing Code applies to all Directors and all relevant employees who are informed that they are subject to its provisions. The Company has made specific enquiry of all Directors and that all the Directors confirmed their compliance with the required standard set out in the Dealing Code throughout the year under review.	CG Code C.1.3 and Appendix C3 of the Listing Rules
B. Board of Directors	
During the year ended 31 December 2023, the Board comprised of four executive Directors, namely, Messrs. William Leung, Bill Leung, John Chan, and Ms. Sandra Leung; one non-executive Director, namely, Ms. Wong Shan Shan and three independent non-executive Directors, namely, Mr. Thomas Cheung, Ms. Vivian Lau and Mr. Richard Wong.	B(a)
Independent non-executive Directors represent more than 1/3 of the Board.	

Contents						Listing Rule Provisions (Remarks)
The Board held four regular meetings in 2023. Additional Board meetings are convened as and when required. Details of the Directors' attendance record, on a named basis, are as follows:						B(b)-(d)
Directors' attendance records of the Board, committee meetings and general meetings are as follows:						
Meetings Attended/Held						
	Board¹	Audit Committee (AC)	Remuneration Committee (RC)	Nomination Committee (NC)	General Meetings (AGM/ EGM)²	
Executive Director						
Mr. William Leung (Chairman of the Board and NC)	8/8	-	-	1/1	3/3	
Mr. Bill Leung	5/8	-	-	-	2/3	
Mr. John Chan	6/8	-	-	-	2/3	
Ms. Sandra Leung	8/8	1/2 ^{Note 3}	-	-	3/3	
Non-executive Director						
Ms. Wong Shan Shan	4/8	-	-	-	1/3	
Independent non-executive Director						
Mr. Thomas Cheung (Chairman of AC)	8/8	2/2	1/1	1/1	3/3	
Ms. Vivian Lau	8/8	2/2	1/1	1/1	3/3	

Contents					Listing Rule Provisions (Remarks)
Meetings Attended/Held					
	Board¹	Audit Committee (AC)	Remuneration Committee (RC)	Nomination Committee (NC)	General Meetings (AGM/ EGM)²
Mr. Richard Wong (Chairman of RC)	6/8	2/2	1/1	1/1	3/3
<p>Note 1: During the year, four regular board meetings and four additional meetings were convened.</p> <p>Note 2: During the year, one AGM and two EGM were convened.</p> <p>Note 3: Ms. Sandra Leung was also attended the meetings as the capacity of chief financial officer.</p>					
<p>Save that Messrs. William Leung and Bill Leung and Ms. Sandra Leung are family members, there is no relationship (including financial, business, and family or other material/relevant relationship(s)) among the Directors. The biographies of the Directors are set out in the section named "Directors and Senior Management Profile".</p>					B(h) (relationship among the Board members)
<p>Directors' Induction and Continuous Professional Development</p> <p>Pursuant to the Corporate Governance Code, all directors should engage in ongoing professional development to enhance and update their knowledge and abilities. This guarantees that their input to the Board is informed and current.</p> <p>Upon joining the Board of Directors, each newly appointed member will receive a thorough induction package that encompasses the Company's business operations, policies and procedures, in addition to the overall, legal and regulatory obligations of becoming a Director. This process ensures they are fully aware of their responsibilities under the Listing Rules and any other applicable regulatory requirements.</p>					CG Code C1.4 B(i)

Contents	Listing Rule Provisions (Remarks)
<p>All directors receive regular briefings on any amendments or updates to the applicable laws, rules, and regulations. In addition, the company has been urging directors and senior executives to attend diverse professional development courses and seminars hosted by professional or regulatory bodies in Hong Kong or abroad. Such events cover Listing Rules, Companies Ordinance/Act, and corporate governance practices. This initiative enables them to stay up-to-date and hone their expertise in relevant areas continuously.</p>	
<p>From time to time, the Company Secretary provides written materials to the Directors for professional skill development and refreshment. The Secretary also organises seminars on the latest legal, regulatory, and rule developments to support the Directors in fulfilling their duties. During the year, the Company arranged an in-house workshop for the Directors and executives on (1) Listing Compliance and (2) Anti-Corruption Regulations, to increase their ability to perform their responsibilities as Directors.</p>	
<p>From time to time, all Directors are also provided with written materials to develop and refresh their professional skills; the Company Secretary also organises and arranges various seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Company organised for the Directors and executives an in-house workshop on (1) Listing Compliance; and (2) Anti-Corruption Regulations to enhance their capacities to carry out directors' duties.</p>	
<p>According to the records maintained by the Company, the Directors underwent training on the roles, functions, and duties of a listed company Director, in compliance with the Corporate Governance Code's requirement for continuous professional development during the year.</p>	

Contents	Listing Rule Provisions (Remarks)
<p>In accordance with the records of the directors' participation in the continuous professional development (CPD) programme organised by the Company and maintained by the Company, the following is a summary of the training received by the directors for the year ended 31 December 2023:</p>	
Directors	CPD Programme
Executive Directors	
Mr. William Leung	i, ii, iii
Mr. Bill Leung	i, iii
Mr. John Chan	i, ii, iii
Ms. Sandra Leung	ii, iii
Non-executive Director	
Ms. Wong Shan Shan	i, ii, iii
Independent Non-executive Directors	
Mr. Thomas Cheung	iii
Ms. Vivian Lau	i, ii, iii
Mr. Richard Wong	i, iii
Notes:	
i. Attendance at briefings, seminars, webinars and/or access to web-based learning resources.	
ii. Reading of materials and updates relating to the latest developments of the Listing Rules, other applicable regulatory requirements, business environment and latest local and global economic trends and developments.	
iii. Reading monthly updates on the Group's financial and operational performance.	
Confirmation of Independence	
<p>The Company has received annual confirmations of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The reasons why the Company considers an independent non-executive director to be independent has to be stated.</p>	B(g) (independence of INEDs)
<p>The Board is mainly responsible for formulating the Group's long term strategy and development plan, deciding major financial and capital project, reviewing internal control and risks. The Board delegates the day-to-day operations, general management function to the executive Directors and senior management of the Group.</p>	

Contents	Listing Rule Provisions (Remarks)
<p>J. Nomination Committee</p> <p>The major functions of the Nomination Committee are to review the structure and composition of the Board to complement the company's corporate strategy, to review and provide recommendations to the shareholders of the Company on the terms of Director's service contract, and to assess the independence of the independent non-executive Directors.</p> <p>The Nomination Committee considered the individual's professional knowledge, industry experience, personal ethic, personal skill and independence (in case of an independent non-executive Director) when it makes recommendation to the Board as to whether that individual is suitably qualified to become a member of the Board.</p>	
<p>The Nomination Committee should have a policy on board diversity and has it disclosed (or a summary of the policy), including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives in the corporate governance report.</p> <p>CS Listedco should set up its own board diversity policy and disclose it in the corporate governance report. The main content may include: (i) policy on board diversity or a summary of the policy; (ii) how and when gender diversity will be achieved in respect of the board; (iii) the numerical targets and timelines set for achieving gender diversity on its board; (iv) what measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity; and (v) disclose and explain the gender ratio in the workforce (including senior management), any plans or measureable objectives the issuer has set for achieving gender diversity and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.</p>	B.3.1

Contents	Listing Rule Provisions (Remarks)
<p>The Board is committed to diversity (including gender diversity) at all levels of the Company. At the date of this Annual Report, the Board comprises eight directors, three of whom are female, representing 37.5% of the Board. The Board considers that gender diversity on the Board has been achieved.</p>	
<p>The terms of reference of the Nomination Committee are on terms no less exacting than the Code B.3.1 of the CG Code. The Nomination Committee of the Company consists of all independent non-executive Directors and the Chairman of the Board, namely, Mr. Thomas Cheung, Ms. Vivian Lau and Mr. Richard Wong and Mr. William Leung. Mr. William Leung is the Chairman of the Nomination Committee.</p>	B.3.1
<p>The Nomination Committee met once during the year under review. During the meeting, the Nomination Committee made recommendation to the Board for the re-election of Directors at the annual general meeting and reviewed the independence of the independent non-executive Directors.</p> <p>The attendance records of each member of the Nomination Committee should be stated.</p>	
<p>Corporate Governance Functions</p> <p>Determine the policy for the corporate governance of the Company and duties performed by the board of the committee under Code A.2.1 of CG Code.</p> <p>Statement showing whether the board has performed the corporate governance duties to: (a) develop and review the Company's policies and practices on corporate governance and make recommendations to the board; (b) review and monitor the training and continuous professional development of directors and senior management; (c) review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; (e) review the Company's compliance with the code and disclosure in the corporate governance report. These functions can be performed by the board of directors or other committee or committees delegated by the board of directors.</p>	E(d)(v)

listed issuer to announce the details of the balances, the nature of events or transactions giving rise to the amounts, the identity of the debtor group, interest rate, repayment terms and collateral. Moreover, if it is confirmed to proceed with the transaction after performing the feasibility study, that acquisition may also constitute a notifiable transaction under Chapter 14 of the Listing Rules in case the consideration for the acquisition exceeds the applicable percentage ratios. Any how, the amount of the deposit payment is now exceeding 8% of the consolidated total assets of the group, undoubtedly a general disclosure obligation arises, let's issue an announcement then".

After drafting the provisional agreement, Wesley prepares the announcement in this regard.

2.1.1 Announcement regarding advance to an entity

6.062 The extract of the announcement regarding provisional agreement and advance to an entity is as follows:

CS LISTEDCO LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 7000

DISCLOSEABLE TRANSACTION PROVISIONAL AGREEMENT AND ADVANCE TO AN ENTITY

THE PROVISIONAL AGREEMENT

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, WayFu Food and its ultimate beneficial owner(s) are Independent Third Parties.

Major Terms of the Provisional Agreement

Pursuant to the Provisional Agreement, CS Investment shall conduct a feasibility study in the acquisition of 60% of the issued share capital of WayFu Processing, which owns a food processing factory in Guangzhou (the "Acquisition"). The aspects of the feasibility study shall contain, *inter alia*, due diligence exercises on WayFu Processing.

Deposit and Exclusivity

The Deposit amounting to HK\$95 million will be paid by CS Investment to WayFu Food within three days upon execution of the Provisional Agreement. WayFu Food shall not, whether by itself or through any of its directors, officers, employees, shareholders, agents or representatives, during the Exclusive Period, negotiate or enter into any contract or agreement with or give any undertaking in favour of any third party for the purpose of frustrating or impeding the furtherance of the Acquisition contemplated under the Provisional Agreement.

In the event that CS Investment agrees to acquire 60% interest of WayFu Processing, the Deposit shall be applied, in part or in whole, to be the consideration of the total consideration of the Acquisition.

If CS Investment decides not to proceed with the Acquisition by the end of the Exclusive Period, the Deposit shall be repaid to CS Investment (without any interest accrued) within three days from the notice of termination to be given by CS Investment to WayFu Food and no collateral is provided by WayFu Food for the Deposit.

The Provisional Agreement sets out the mutual understanding of the parties in relation to the proposed Acquisition and the entering into the formal agreement in respect of the Acquisition is not legally binding.

Information on WayFu Food

WayFu Food is principally engaged in investment holding. WayFu Processing is one of its wholly owned subsidiaries, which owns a food processing factory in Guangzhou, the PRC.

Reason for Entering into the Provisional Agreement

The Company and its subsidiaries (together known as the "CS Group") is one of well-established catering groups in Hong Kong operating over 100 outlets. It has provided a diversified service comprising Chinese and western restaurants, fast food outlets and cake and bakery shops in Hong Kong and major cities in China. It is expected that upon completion of the Acquisition, the Group will get largely involved in the business development and branding of the instant food business in the PRC. The Directors expect the Acquisition and the feasibility study contemplated under the Provisional Agreement will provide further information as well as a good reference for CS Group to explore possible way to control cost on food processing. As such, the Directors consider that the Provisional Agreement is in the interests of the Company and the Shareholders as a whole.

General

As the applicable ratios under rule 14.07 of the Listing Rules in respect of the Deposit exceeded 5% but less than 25%, the payment of the Deposit constitutes a discloseable transaction for the Company.

As the amount of the Deposit exceeds 8% of the consolidated total assets of CS Group as defined under rule 13.13 of the Listing Rules, the payment of the Deposit is also subject to the general disclosure obligations under rule 13.15 of the Listing Rules.

As the Acquisition considered under the Provisional Agreement may or may not proceed, Shareholders and public investors are advised to exercise caution when dealing in the securities of the Company. If the Acquisition considered under the Provisional Agreement materialises and constitutes a notifiable transaction under the Listing Rules, the Company will make further announcement in compliance with the requirements of the Listing Rules.

6.063 Eventually, a board meeting is held to approve the subject transaction, relevant agreement(s) and document(s), the draft announcement and its publication. Wesley then arranges for the publication of the announcement on the respective websites of Stock Exchange and CS Listedco before 11:00 pm on 4 September 2023.

2.1.2 Compliance procedures

6.064

- (a) To summarise, in order to ensure compliance with the Listing Rules, it is certainly advisable for a listed issuer to adopt the following practical procedures in the event of making an advance to an entity.

Steps	Procedure
1.	Check whether the object clauses and articles contained in the memorandum and articles of association of the Cayman Islands Company, ie, CS Listedco, allow it to make such kind of advance (in case of a Hong Kong incorporated company, check against the articles contained in its Articles of Association); and check if the directors have such authority duly granted
2.	Calculate the assets ratio as defined under rule 14.07(1)
3.	Prepare an announcement if the assets ratio exceeds 8% of the company's total assets
4.	Convene a directors' meeting to approve the relevant advance, relevant agreement(s) and document(s), the announcement and its publication on the respective websites of the Company and the Stock Exchange

- (b) According to rule 13.14 of the Listing Rules, any relevant advance to an entity increases from that previously disclosed under rules 13.13 and 13.14, or rule 13.20 and the amount of the increase since the previous disclosure is 3% or more under the assets ratio defined under rule 14.07(1), the listed issuer must further announce the information according to rule 13.15 as soon as reasonably practicable (ie, further update on the state of previous announcement).
- (c) It is good practice for a finance department to consider establishing necessary procedures to monitor the updated development of the loan status. Adequate communication with relevant parties, in particular the staff in the finance department, is also essential to avoid any non-compliance with rule 13.14 of the Listing Rules.

Question: What should a listed issuer do if such advance still exists at the end of the financial year?

6.065 If the circumstances giving rise to a duty to disclose under rule 13.13 of the Listing Rules above continue to exist at the CS Listedco's interim period end or annual financial year

end, the information specified under rule 13.15 of the Listing Rules (ie, details of the relevant advance to an entity including details of the balances, the nature of events or transactions giving rise to the amounts, the identity of the debtor group, interest rate, repayment terms and collateral, if any) as at the interim period end or year end, shall be included in its interim or annual report according to rule 13.20.

2.2 Financial Assistance and Guarantees to Affiliated Companies

6.066 According to rule 13.16 of the Listing Rules, if the financial assistance to affiliated companies of a listed issuer, and guarantees given for facilities granted to affiliated companies of a listed issuer together in aggregate exceeds 8% under the assets ratio as defined under rule 14.07(1), the listed issuer must announce as soon as reasonably practicable the following information:

- (1) analysis by company of the amount of financial assistance given to, committed capital injection to, and guarantees given for facilities granted to affiliated companies;
- (2) terms of the financial assistance, including interest rate, method of repayment, maturity date, and the security therefore, if any;
- (3) source of funding for the committed capital injection; and
- (4) banking facilities utilised by affiliated companies which are guaranteed by the listed issuer.

Question: What is meant by "affiliated company"?

6.067 Rule 13.11(2)(a) of the Listing Rules stipulates that for the purposes of subsequent rules 13.12 to 13.19, the expression "affiliated company" refers to a company which, in accordance with Hong Kong Financial Reporting Standards, is recorded using the equity method of accounting in an entity's financial statements that includes associated companies and jointly controlled entities as defined in those standards.

6.068 CS Group holds good relationships with its business partners and acquired 30% shareholding in each of the two companies, ABC Limited and XYZ Limited, founded by two separate business partners independently. Under the group structure, those companies are classified as jointly controlled entities and in turn, the "affiliated companies" of CS Listedco. These two jointly controlled entities are negotiating with a local bank, ZZZ Bank, for certain bank loans and the bank requested for a corporate guarantee for each of these loans.

Question: Before executing the guarantees, what should Wesley do to ensure compliance with rule 13.16?

CONTINUING OBLIGATIONS AFTER LISTING

- (1) the aggregate level of the facilities that may be affected by such breach;
- (2) the life of the facility; and
- (3) the specific performance obligation imposed on any controlling shareholder.

6.079 The above information should be disclosed by publishing an announcement and contained in the subsequent interim and annual reports if the circumstances giving rise to the obligations of the listed issuer continue to exist pursuant to rule 13.21 of the Listing Rules.

Question: Why are the regulators concerned about the disclosure regarding loan agreements with specific performance covenants imposed on controlling shareholders?

6.080 It is to ensure the listed issuer makes timely disclosure to the Stock Exchange, the shareholders and the public that the controlling shareholder agreed to maintain its specific shareholdings as security for the loan to be granted by the lending bank as it is the financial risk that the listed issuer and its shareholders face: if the controlling shareholder disposes of its shares before the loan matures, the listed issuer needs to pay the loan immediately. Hence, there would be negative impact on the financial position of the listed issuer.

For the purpose of financing the expansion of the catering business of CS Listedco, Judy has been discussing with various licenced banks in Hong Kong for sourcing bank borrowing. EG Bank agrees to grant a term loan facility of up to HK\$200 million (the "facilities") to CS Listedco.

CS Listedco intends to enter into a term loan facility agreement in the amount of up to HK\$200 million (the "agreement") with EG Bank with a term of three years under which a specific covenant is imposed.

Pursuant to the agreement, William is required to hold, directly or indirectly, at least 35% of the shareholding interests and voting rights in CS Listedco. If any of the change of control event occurs, EG Bank may, by written notice to CS Listedco, immediately revoke the facilities and declare the outstanding principal together with accrued interest and all other amounts accrued under the agreement immediately due and payable.

William and Bill then call for a meeting with Judy and Wesley to discuss the terms of the agreement, in particular, the specific covenant imposed on William in CS Listedco.

Wesley comments, "it is the common practice for the banks to impose a specific performance of the controlling shareholder in the loan agreement as security for the loan facility to be granted to the borrower, and it shall be an event of default (except with the prior consent of the banks) if the controlling shareholder ceases to hold the required minimum shareholding percentage in the total issued share capital of the borrower". He continues, "but I still suggest to negotiate with EG Bank to eliminate this clause as one of the events of default. Judy, any luck?"

Judy replies, "actually, I tried to do so but failed. EG Bank insisted to retain that particular clause for protecting its interest. It is understandable, and seems like we do not have any choice as EG Bank certainly provides the best terms of the facilities when compared with other offers given by other banks".

William and Bill agree.

William then instructs Wesley to work with Judy to obtain the loan details and make appropriate disclosure as required under the Listing Rules. Wesley then carefully examines CS Listedco's articles of association to ensure that the board has the power to make such facilities, and receives the approval of the agreement and the relevant announcement from the board.

Reminder:

Apart from the instant disclosure requirement, CS Listedco will also be required to include appropriate disclosure in its subsequent interim and annual reports pursuant to rule 13.21 of the Listing Rules so long as the agreement with covenants relating to the specific performance of William continues to exist during the period of the facilities.

Wesley raises one more point, "prior to obtaining the board's approval and signing the loan agreement, a formal written consent has to be provided by you. William, you should undertake to hold, directly or indirectly, at least 35% of the shareholding interests and voting rights in CS Listedco at all times during the period of the facilities".

William says: "no problem, just go ahead and do what you need to do and get the money ASAP". William finally signed the written consent provided by EG Bank as a written record from the controlling shareholder.

2.4.1 Announcement regarding loan agreements with covenants relating to specific performance of controlling shareholders

The following is the extract of the announcement in respect of the transaction:

6.081

CS LISTEDCO LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 7000

ANNOUNCEMENT PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 18 October 2023, CS Listedco Limited (the "Company") as borrower entered into a term loan facility agreement (the "Loan Agreement") relating to a HK\$200,000,000 term loan facility (the "Loan Facility") with EG Bank for a term

or charge. This is in order to protect the first pledgee's and/or chargee's ultimate interests, eg, a current floating charge versus a later fixed charge. However, if the pledgor and/or chargor has not given actual notice to the subsequent pledgee and/or chargee about the existence of the negative pledge clause previously agreed between the pledgor and/or chargor and the first pledgee and/or chargee, the first priority of the first pledgee and/or chargee over the same charged property will not bind on the subsequent pledgee and/or chargee who created and registered a later fixed charge over the same charged property. Under this circumstance, a later fixed charge will get a higher priority over the same charged property than the previously registered floating charge under the umbrella of the negative pledge clause.

"Fixed charge" is a charge that fastens on ascertained and definite property, or property capable of being ascertained and defined.

"Floating charge" is an equitable charge on property which is constantly changing, ie, the stock in trade from time to time of a business, or the whole assets and undertaking for the time being of a company and it does not fasten on a particular asset at the time of its creation. When a floating charge crystallises, it attaches specifically to all the items of the class of charged assets which the company owns at the date of crystallisation or which it acquires thereafter.

William says concernedly, "how can this happen?" None of our companies are supposed to raise any new loans unless we obtain the consent from EG Bank. We are getting into trouble. Bill, have you told them not to make any new loans by creating any new charges?"

Bill answers, "we communicated this message to all of our subsidiaries already. Maybe they did not realise this issue when they were planning to raise new funds".

William continues, "we have breached our loan agreement terms with EG Bank; they can now call for immediate repayment of their loans to us, which means they can take over all of our charged assets as they are entitled to under the terms of the loan agreement. We are in deep trouble".

Wesley asks, "is the loan a significant one? If EG Bank requests us to make immediate repayment, it might affect our normal business operations. In which case, an announcement has to be made right now in accordance with the Listing Rules".

Bill says, "do we have enough cash in hands to repay its loan to EG Bank? From my understanding, the total loan balance remaining unpaid to EG Bank as of today is HK\$800 million, but with reference to the updated financial information we obviously do not have sufficient available cash to repay the loan in full for the time being".

Wesley replies, "unless EG Bank agrees not to call for the loans and grants a waiver to the company in respect of the breach, we should make an announcement without further delay. Though, we may formally apply for a waiver from EG Bank in respect of the breach now, and at the same time, the company can issue an announcement to clearly state the current position of the company prior to obtaining any reply from EG Bank".

Question: What factors should the directors take into account as to whether an announcement is required?

Answer: The main three factors are:

- whether the loans are so significant to their operations;
- whether the EG Bank may call for immediate repayment; and
- whether the EG Bank may grant a waiver in respect of the breach of the terms of loan agreement.

Generally, it is the responsibility of the directors of the listed issuer to determine what information is material in the context of the company's business, operations and financial performance. The materiality of information varies from one company to another according to the size of its financial performance, assets and capitalisation, the nature of its operation and other factors. An event that is "significant" or "major" in the context of a smaller company's business and affairs is often not material to a large company. The directors of the listed issuer are in the best position to determine materiality.

6.083

Based on CS Listedco's updated financial information, CS Listedco does not appear to be in a position ready to repay its loans to EG Bank. As such, having considered the operation, business and financial status of CS Listedco, an announcement ought to be made immediately. If the directors of CS Listedco decide otherwise and withhold making an announcement, but ultimately realize that it cannot repay its loan and EG Bank doesn't grant a waiver in respect of the default payment (if any), the directors of CS Listedco may be subject to disciplinary actions to be taken by the Stock Exchange due to the breach of the Listing Rules, as well as penalties imposed by the SFC provided that the information involved may constitute inside information pursuant to the SFO Provisions.

6.084

Wesley promptly prepares the announcement, which is to be made ready to issue upon the board's approval. The following is an extract of the announcement:

6.085

2.5.1 Announcement regarding breach of loan agreement by listed issuer

CS LISTEDCO LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 7000

GENERAL DISCLOSURE UNDER RULE 13.19 OF THE LISTING RULES

This announcement is made in compliance with the disclosure requirement under rule 13.19 of the Listing Rules.

On 19 June 2023, the Company as borrower entered into a term loan facility agreement with a lender ("the Lender") whereby the Lender agreed to provide the Company with a term loan facility of a sum of HK\$2 billion ("Term Facility") in consideration of which the Company agreed to offer its undertaking and assets both present and future as security by way of floating charge to the Lender ("the Loan Agreement").

The Loan Agreement requires the Company throughout the continuance of the Loan Agreement to comply with, and to secure all members of the Group to comply with, certain negative undertakings, including, without limitation not to create any later fixed charges, whether legal or equitable, over specific assets ranking in priority or *pari passu* to the floating charge of the Lender.

It would be an event of default if the Company or any member of the Group creates any fixed charge over the assets of the Company or any member of the Group or makes any loan(s) with a third party which ranks *pari passu* to the floating charge without the approval of the Lender.

On 30 October 2023, certain members of the Group raised new borrowings and fixed charges on certain assets and provided guarantees to other lender. On 27 November 2023, the Lender informed the Company that the Company may be in potential breach of the aforesaid covenants and undertakings under the Loan Agreement (the "Breach"). The Breach entitles the Lender to demand immediate repayment of the total outstanding loan under the Loan Agreement.

The Company has applied for waiver in respect of the Breach (the "Waiver") from the Lender under Loan Agreement and the application of waiver is still under consideration by the Lender. As at the date of this announcement, the Lender has not made any demand for immediate repayment of the outstanding Term Facility.

Further announcement(s) regarding the Term Facility and the status of granting the Waiver will be made by the Company as and when appropriate.

- 6.086 Three days later, EG Bank formally grants the waiver in respect of the breach to CS Listedco. A further announcement is issued to the public to give an updated status of the granting of the waiver by EG Bank.
- 6.087 It is worth mentioning that if the board of CS Listedco is of the view that the breach of loan agreement constitutes inside information, CS Listedco should also comply with the disclosure requirements pursuant to rule 13.09 of the Listing Rules and the SFO Provisions.

2.5.2 Proposed actions taken by CS Listedco

- 6.088 To enhance compliance standards, CS Listedco is recommended to strengthen its internal control system, thus facilitating the communications among the holding company and its group companies to avoid future occurrence of the same kind of event. Being a holding company, it should adopt proper procedures to ensure all loan agreements and undertakings are well communicated with and acknowledged by all of its group companies. A centralised system monitoring loan and facilities information within the whole group should be considered.
- 6.089 Further, group companies sourcing loans from lenders should first formally obtain approval from their board, report the relevant transactions to the board of their holding company, and seek formal approval from the board of their holding company for better monitoring purpose.

Another recommendation is to commission an independent professional party, for example, external auditor, to work with internal auditors to conduct a thorough review of the issues with regard to loans and facilities and suggest remedial actions for improvements. Upon completion, a brief report is suggested to be escalated to the audit committee and the board as good corporate governance practice adopted by CS Listedco.

6.090

References

1. Guidelines on Disclosure of Inside Information (issued in June 2012 by the Securities and Futures Commission (the SFC)) (SFC Guidelines).
2. "Government to Legislate on Disclosure of Price Sensitive Information by Listed Corporations", Hong Kong Government (11 February 2011).
3. "One Year into Statutory Regime on Disclosure of Inside Information", All News, the SFC (9 January 2014).
4. SFC Guidelines, paras 17, 18, 23, 24, 48, 49, 61, 79, and 80.
5. Loh T and Cumming G, "New Requirements for Disclosure of Price Sensitive Information: A Guide for Hong Kong Listed Companies", Timothy Loh Solicitors (25 May 2012).
6. "Market Misconduct Tribunal" introduction – <http://www.mmt.gov.hk>.
7. Securities and Futures Ordinance, s 307N.
8. "Securities and Futures (Amendment) Bill 2011 – Statutory Codification of Certain Requirements to Disclose Price Sensitive Information by Listed Corporations – Frequently Asked Questions", Financial Services and the Treasury Bureau, <https://www.fstb.gov.hk/fsb/en/publication/consult/consult-policy.html>.
9. Main Board Listing Rules, Practice Note 11.
10. Guidance Notes (Insider Dealing Part II) (issued by the Hong Kong Chartered Governance Institute (the HKCGI) in June 2008).
11. "Frequently Asked Questions Series 3 (Update No 17 – 23 June 2014) Electronic Disclosure", Hong Kong Exchanges and Clearing Limited.
12. Main Board Listing Rules, Appendix C3.
13. Main Board Listing Rules, Chapters 10, 13, 14, and 17.
14. Codes on Takeovers and Mergers and Share Buy-backs, r 26.
15. Securities and Futures Ordinance, Part XV.
16. Webb D, "Disclosure of Pledges" (7 September 2004) Webb-site Reports, <http://webb-site.com/articles/pledge.asp>; "Share Pledge Disclosures by Directors and Controlling Shareholders – A Review of Existing Regulations and Policy Recommendations", The Asia Pacific Office of the CFA Institute Centre for Financial Market Integrity (September 2009).

CS Listedco Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended 31.12.2025 HK\$'000	Year Ended 31.12.2024 HK\$'000	Period Ended 30.6.2024 HK\$'000
Revenue	1,044,569	997,600	691,447
Cost of sales	(755,112)	(648,320)	(468,281)
Gross profit	289,457	349,280	223,166
Other income and gains	9,396	7,476	18,454
Selling and distribution costs	(94,022)	(54,676)	(27,750)
Administrative expenses	(110,098)	(84,184)	(56,540)
Other operating expenses	(19,826)	(16,785)	(10,628)
Listing expenses	—	(25,000)	—
Finance costs	(5,606)	(3,976)	(3,569)
Share of profits or losses of jointly controlled entities	26,681	27,153	(1,417)
Profit before tax	95,982	199,288	142,016
Income tax expense	(23,008)	(45,080)	(39,736)
Profit for the year/period and total comprehensive income for the year/period	<u>72,974</u>	<u>154,208</u>	<u>102,280</u>
Attributable to:			
Owners of the Company	73,085	154,714	102,320
Non-controlling interests	(111)	(506)	(40)
	<u>72,974</u>	<u>154,208</u>	<u>102,280</u>
Earnings per share Basic and diluted	<u>HK14.59 cents</u>	<u>HK30.84 cents</u>	<u>HK20.46 cents</u>

CS Listedco Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2025 HK\$'000	31.12.2024 HK\$'000	30.6.2024 HK\$'000
Non-current assets	352,352	190,296	179,814
Property, plant and equipment	58,992	23,034	19,901
Investment properties	17,599	10,532	10,264
Prepaid lease payments	63,672	66,903	65,161
Intangible assets	77,668	35,987	7,717
Interests in jointly controlled entities	40,000	40,000	—
Available-for-sale investments	3,068	1,063	1,025
Deposits for acquisition of items of property, plant and equipment	—	—	—
	<u>613,351</u>	<u>367,815</u>	<u>283,882</u>
Current assets	44,562	37,442	25,375
Inventories	399	234	344
Prepaid lease payments	15,156	6,669	11,182
Trade receivables	31,166	30,404	36,793
Prepayments, deposits and other receivables	76,368	49,448	47,668
Pledged bank deposits	585,974	750,379	711,497
Cash and bank balances	<u>753,625</u>	<u>874,576</u>	<u>832,859</u>
Current liabilities	41,820	57,336	32,885
Trade payables	8,650	6,793	7,835
Other payables and accruals	89,786	66,383	37,171
Bank borrowings	71,500	46,996	32,668
Tax payable	211,756	177,508	110,559
	<u>541,869</u>	<u>697,068</u>	<u>722,300</u>
Net current assets	1,155,220	1,064,883	1,006,182
Total assets less current liabilities	67,423	50,060	43,287
Non-current liabilities	60,000	44,400	37,171
Bank borrowings	7,165	5,320	5,831
Deferred tax liabilities	258	340	285
Other liabilities	—	—	—
	<u>67,423</u>	<u>50,060</u>	<u>43,287</u>
NET ASSETS	<u>1,087,797</u>	<u>1,014,823</u>	<u>962,895</u>

CONTINUING OBLIGATIONS AFTER LISTING

CAPITAL AND RESERVES			
Share capital	50,000	50,000	
Reserves	1,030,812	957,727	50,000
Equity attributable to owners of the Company	1,080,812	1,007,727	905,333
Non-controlling interests	6,985	7,096	955,333
TOTAL EQUITY	1,087,797	1,014,823	7,562
			962,895

CHAPTER 7

NOTIFIABLE TRANSACTIONS AND CONNECTED TRANSACTIONS

	PARA.
1. Notifiable Transactions	7.001
1.1 Introduction	7.001
1.2 Definition of Transactions	7.004
1.2.1 Revenue nature transactions	7.005
1.3 Definition of Subsidiary	7.007
1.4 Classifications and Computations of Size Tests	7.013
1.5 Classifications of Notifiable Transactions	7.015
1.5.1 Computation of size tests and categorisation of notifiable transactions	7.017
1.5.2 Aggregation of transactions	7.020
1.5.3 Reverse takeover	7.024
1.5.3.1 Principle-based test	7.027
1.5.3.2 Bright line test	7.029
1.5.4 Formation of a joint venture as a notifiable transaction	7.030
1.6 Compliance and Procedural Requirements	7.033
1.6.1 Major transaction compliance and procedural requirements	7.035
1.6.2 Major transaction announcement	7.037
1.7 Valuation Report	7.037
2. Connected Transactions	7.038
2.1 Definition of Connected Transactions	7.039
2.1.1 Definition of transactions under Chapter 14A	7.041
2.1.2 Definition of connected persons	7.044
2.1.3 Definitions of "close associate" and "associate"	7.051
2.1.4 Definition of substantial shareholder	7.056
2.1.5 Definition of controlling shareholder	7.057
2.1.6 Definition of connected subsidiary	7.059
2.1.7 Definition of a deemed connected person	7.060
2.2 Conferment of Benefits on Connected Persons	7.062
2.3 Exceptions to Connected Persons	7.063
2.4 Exceptions to Associates	7.066
2.5 Exceptions to Subsidiary as a Connected Person	7.068
3. Scope of Connected Transactions	7.069
3.1 Exemptions for Connected Transactions	7.074
3.1.1 Wholly exempt transactions (rule 14A.76(1) of the Listing Rules)	7.079
3.2 Partially Exempt Transactions	7.097
3.3 Non-exempt Transactions	7.101
3.4 Aggregation of Transactions	7.102
3.5 Compliance Requirements	7.108
4. Independent Board Committee	7.109
5. Independent Financial Adviser	7.111

6. Procedures in Respect of CS Listedco's Acquisition	7.114
6.1 Announcement of Discloseable and Connected Transaction	7.115
7. Continuing Connected Transactions	7.116
7.1 Wholly Exempt Continuing Connected Transaction	7.120
7.2 Partially Exempt Continuing Connected Transaction	7.121
7.3 Non-exempt Continuing Connected Transactions	7.122
7.4 Comparison of Compliance Procedures for Continuing Connected Transactions and Connected Transactions	7.123
7.5 Compliance Procedures for CS Listedco Regarding the Continuing Connected Transaction (CCT) Documents	7.127
7.6 Connected Transaction in Relation to the Lease Transactions by Adopting Hong Kong Financial Reporting Standard 16 Lease ("HKFRS/IFRS 16")	7.128
7.7 Announcement of Continuing Connected Transactions	7.129
Appendix to Chapter 7	387

ATTENTION NOTE:

Regarding those areas in the chapter touching with the Listing Rules amendments relating to expansion of paperless listing regime, mandatory electronic dissemination of corporate communications and simplification of Appendices to the Listing Rules effective on 31 December 2023, please refer to the details of:-

- 1) Amendments to the Main Board Listing Rules Updated No. 142 dated June 2023;
- 2) Revised Structure of the Appendices to the Listing Rules;
- 3) Frequently Asked Questions No. 119-2023 to 134-2023; and
- 4) Modifications to the Documentary Submission Requirements under the Expanded Paperless Listing Regime.

ATTENTION NOTE:

Regarding those areas in this chapter touching with the amendments to the Listing Rules and Corporate Governance Code in relation to the independent non-executive directors ("INEDs") where the proposed implementation date of financial years commencing on or after 1 July 2025, with transitional arrangements (i.e. a six-year transition period in two phases for Long Serving INEDs; and a three-year transition period for the cap of six concurrent Hong Kong-listed company directorships of INEDs), please refer to the details of "Conclusions on the Review of Corporate Governance Code and Related Listing Rules" published by The Stock Exchange of Hong Kong Limited in December 2024 together with the following appendices:-

- 1) APPENDIX III - the Amendments to the Main Board Listing Rules;
- 2) APPENDIX IV - the Amendments to the GEM Listing Rules; and
- 3) APPENDIX V - the Mapping Table in relation to the Re-arrangement of Certain Sections of the Corporate Governance Code.

1. NOTIFIABLE TRANSACTIONS

1.1 Introduction

Listed issuers may deal with different types of transactions from time to time. In the case of large-scale transactions, they may have a material impact on the financial as well as business aspects of a listed issuer and in turn the interests of its shareholders. 7.001

With a view to govern transactions entered into by listed issuers, the Listing Rules offers a comprehensive mechanism to protect the interests of shareholders especially 7.002

where listed issuers enter into large-scale transactions with either an independent third party or a person who may have some connection with the listed issuer's group or its directors or substantial shareholders, that is, a "connected person". In such cases, any shareholder who is materially interested in a transaction of such nature must abstain from voting on the resolution approving the transaction. The disclosure requirements and shareholders' approval requirements in relation to a transaction are subject to the results of applicable size tests of such transaction and other applicable exemption and rules under the Listing Rules.

7.003

When the listed issuer enters into a transaction with an independent third party, it may constitute a notifiable transaction under Chapter 14 of the Listing Rules. The provisions of Chapter 14A of the Listing Rules may also apply where the transaction is entered into with a company or a person connected to the listed issuer or its subsidiary. The Codes on Takeovers and Mergers and Share Buy-backs may also be applied. The inside information disclosure regime under the Securities and Futures Ordinance (SFO) as mentioned in Chapter 6 of this Book may also apply under the specific situations covered in Chapter 14 and Chapter 14A of the Listing Rules. Therefore, in an *ad hoc* transaction, it is possible that obligations to make disclosure are mainly required under Chapter 13, Chapter 14 and Chapter 14A of the Listing Rules. Below is an illustration of a notifiable transaction under Chapter 14 of the Listing Rules.

One day in early April 2024 at the CS Listedco conference room, William, Bill and Judy holds a meeting with Wesley.

"In order to strengthen our current development in food and catering business and improve our profit margin and expand the market share of Chinese cuisine restaurants in Hong Kong, I would like to diversify our business by acquiring a chain of Japanese food restaurants", says William.

Bill asks, "do you have any particular targets in mind?"

William says, "Tomosima Cafe Group (Tomosima Group) would be my first choice. Several weeks ago, I heard that their management intended to dispose of their business and for a potential buyer".

"What will be your target budget?", Bill asks.

William responds promptly, "I estimate that the consideration for such acquisition will be within HK\$390 million".

Bill comments, "other than the consideration, I think we have to obtain other information about Tomosima Group to complete the deal".

Wesley adds, "William, concerning Tomosima Group, the acquisition will undoubtedly constitute a transaction of the company under the listing rules, at least a discloseable transaction given that the recent market price of the company is around HK\$3.2 per share and the transaction is required to be disclosed to the public pursuant to the Listing Rules. Judy, can you provide me with the business operations information, background of the existing management and accounts of Tomosima Group for the

year ended 31 December 2023 and the latest published financial statements and the latest management accounts of our company? We can then determine whether it satisfies the meaning of 'transaction', which type of transaction it will be and know what disclosure requirement will be required. And, William, one more point, does our group have any relationship with the owner of Tomosima Group?"

William replies, "we don't have any relationship with Tomosima Group".

Wesley replies back with the following, "William, we should keep this deal strictly confidential. Once we sign the agreements for such acquisition, we will have to disclose this in compliance with the 'Inside Information Disclosure' requirement."

William then nodded his head agreeing to what Wesley just said.

Note:

"Transactions" are activities outside a listed issuer's ordinary and usual course of business that have an impact on the listed issuer's operations. Rule 14.04(1) of the Listing Rules sets out that a non-exhaustive list of "transactions" and "transactions" of a revenue nature in the ordinary course of business are excluded from the definition of "transaction" according to rule 14.04(1)(g) of the Listing Rules.

1.2 Definition of Transactions

Question: What is meant by "transactions" under the Listing Rules?

Below is a non-exhaustive list of categories of "transactions" extracted from rule 14.04(1) of the Listing Rules:

7.004

- (a) acquisition or disposal of assets, including deemed disposals as referred to in rule 14.29 of the Listing Rules;
- (b) any transaction involving a listed issuer writing, accepting, transferring, exercising or terminating an option to acquire or dispose of assets or to subscribe for securities;
- (c) entering into or terminating finance leases where the financial effects of such leases have an impact on the balance sheet and/or profit and loss account of the listed issuer;
- (d) entering into or terminating operating leases which, by virtue of their size, nature or number, have a significant impact on the operations of the listed issuer. The Stock Exchange will normally consider an operating lease or a transaction involving multiple operating leases to have a "significant impact" if such lease(s), by virtue of its/their total monetary value or the number of leases involved, represent(s) a 200% or more increase in the scale of the listed issuer's existing operations conducted through lease arrangements of such kind;

- (2) For the numerator, "total assets" refers to: (i) the total assets extracted from the balance sheet of the latest audited (consolidated) accounts of the target company (rule 14.04(2)); and (ii) the value of an entity's total assets which is the higher of (a) the book value of the entity's total assets attributable to the entity's capital as disclosed in its accounts (rule 14.27(1)(a)) and (b) the book value referred to in rule 14.27(1)(a) adjusted for the latest published valuation of the entity's assets if such valuation is published after the issue of its accounts (rule 14.27(1)(b)).
- (3) For the denominator, "total assets" refers to: (i) the total assets extracted from the balance sheet of the latest published audited (consolidated) accounts or latest published interim report or quarterly report (whichever is more recent) of the listed issuer (rule 14.04(2)); and (ii) subject to any adjustments for any dividend proposed or declared and latest published revaluation of assets (rule 14.16).
- (2) **profits ratio:** the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer (see rules 14.07(2), 14.13 and 14.17):

$$\text{Profits ratio} = \frac{\text{Net profit attributable to assets being the subject of the transaction}}{\text{Net profit of the listed issuer}}$$

Notes:

- (1) For both the numerator and denominator, "profits" means (consolidated) net profits before taxation, minority interests (non-controlling interests) and extraordinary items (rule 14.13).
- (2) "Extraordinary items" means any statement of profit or loss items that arise incidentally from events or transactions which are distinct from the ordinary activities of a company and are usually non-recurring in nature. In practice, an entity is not supposed to present any items of income or expense as extraordinary items under accounting concepts.
- (3) For the numerator, "profits" refers to the (consolidated) net profit before taxation, minority interests (non-controlling interests) and extraordinary items extracted from profit and loss accounts of the latest audited accounts of the target company (rule 14.04(2)).
- (4) For the denominator, "profits" refers to the consolidated net profit before taxation, minority interests (non-controlling interests) and extraordinary items extracted from profit and loss accounts of the latest audited accounts of the listed issuer (rule 14.17).
- (3) **revenue ratio:** the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer (rules 14.07(3), 14.14 and 14.17):

$$\text{Revenue ratio} = \frac{\text{Total revenue attributable to the assets being the subject of the transaction}}{\text{Total revenue of the listed issuer}}$$

Notes:

- (1) For both the numerator and denominator, "revenue" refers to revenue arising from the principal activities of target company or listed issuer but not including those items of revenue and gains that arise incidentally (rule 14.14).
- (2) For the numerator, the revenue figures are extracted from the profit and loss accounts of the latest audited accounts of the target company (rule 14.04(2)).
- (3) For the denominator, the revenue figures are extracted from the profit and loss accounts of the latest audited accounts of the listed issuer (rule 14.17).
- (4) **consideration ratio:** the consideration divided by the total market capitalisation of the listed issuer (rules 14.07(4) and 14.15):

$$\text{Consideration ratio} = \frac{\text{Aggregate value of consideration given or received}}{\text{Market capitalisation of the listed issuer}}$$

Notes:

- (1) For the numerator, the value of consideration shall be the fair value of consideration or the fair value of the assets which are the subject of the transaction, whichever is higher (rule 14.15(1)).

The Stock Exchange has published Guidance Letter (HKEX-GL116-23) in October 2023 (last updated in June 2024) in respect of the guidance on disclosure of the basis of consideration and business valuations in notifiable transactions, regardless of whether an independent valuation is disclosed. The issuers should carefully consider the recommended disclosure of business valuation which forms a primary factor in the determination of the consideration.

- (2) For the denominator, the total market capitalisation of the listed issuer means total number of issued share capital times the average closing price of the listed issuer's securities as quoted in the Stock Exchange's daily quotation sheets for five business days immediately preceding the date of the transaction (rule 14.07(4)).
- (5) **equity capital ratio:** the number of shares to be issued by the listed issuer as consideration divided by the total number of the listed issuer issued shares immediately before the transaction (rule 14.07(5)):

$$\text{Equity capital ratio} = \frac{\text{Number of shares to be issued by the listed issuer as consideration}}{\text{Total number of the listed issuer's issued shares immediately before the transaction}}$$