

**Rule Requirements Relating to Connected Transactions (effective 1 July 2014)**

**Status of “Frequently Asked Questions”**

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

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

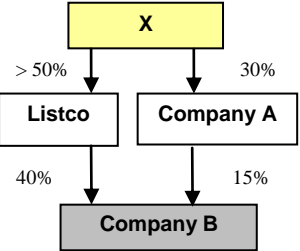
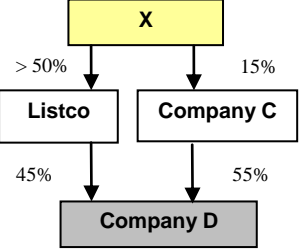
In formulating our “answers”, we may have assumed certain underlying facts, selectively summarised the Rules or concentrated on one particular aspect of the question. They are not definitive and do not apply to all cases where the scenario may at first appear similar. In any given case, regard must be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

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

No.	Main Board Rules	GEM Rules	Query	Response
<b>Persons connected with insignificant subsidiaries</b>				
1.	14A.09	20.08	<p>Listco has acquired certain fixed assets from Company A (being a substantial shareholder of a subsidiary of Listco), which constitutes a connected transaction subject to the announcement and reporting requirements.</p> <p>Will Listco need to report the above acquisition in its next annual report if Company A becomes qualified for the insignificant subsidiary exemption based on Listco's results at the end of the year?</p>	Yes. Listco is required to comply with the connected transaction requirements applicable at the time of entering into the transaction.
2.	14A.09, 14A.60, 14A.101	20.08, 20.58, 20.99	<p>Listco has entered into a framework agreement with Company A (being a substantial shareholder of a subsidiary of Listco) for purchasing certain raw materials at prices to be determined from time to time. It is not a connected transaction as Company A qualifies for the insignificant subsidiary exemption.</p>	If Listco continues to conduct the transactions under the framework agreement, it needs to comply with the announcement, reporting and annual review requirements, unless the transactions are fully exempt under the de minimis exemption.

No.	Main Board Rules	GEM Rules	Query	Response
			If a year later, Company A no longer meets the insignificant subsidiary exemption (and is therefore a connected person at the subsidiary level), what are the connected transaction requirements applicable to this case?	
<b>Definition of associates - Trustee interests</b>				
3.	14A.12(1)(b)	20.10(1)(b)	Will an employees' share scheme or occupational pension scheme be regarded as being established for a wide scope of participants based on the fact that the interests of connected persons in the scheme are together less than 30%?	No. The scheme must satisfy both conditions to qualify for the trustee exemption. Whether or not a scheme is established for a wide scope of participants would depend on the circumstances of the individual cases.
4.	14A.12(1)(b)	20.10(1)(b)	When determining the connected persons' aggregate interests in an employees' share scheme or occupational pension scheme, does the issuer have to take into account the interests of any employees who are relatives of the issuer's directors or substantial shareholder?	It will depend on whether the relatives are deemed to be associates of the directors/substantial shareholder in the proposed transaction with the trustee of the scheme. The issuer should provide information for the Exchange to assess whether or not to apply the deeming provision, and judgement needs to be exercised in considering whether these persons stand to benefit from the transaction.

No.	Main Board Rules	GEM Rules	Query	Response
4A.	1.01, 8.24, 14A.12(1)(b)	1.01, 11.23(11) Notes 2 and 3, 20.10(1)(b)	<p>Listco has appointed Trustee A the trustee of its employee share scheme established for a wide scope of participants including Listco’s directors and certain employees who are not connected persons. Since the interests of Listco’s directors in the scheme are together less than 30%, Trustee A is not an “associate” of the directors under Rule 14A.12(1)(b) and therefore not a connected person of Listco.</p> <p>(a) Is Trustee A a “close associate” of the directors under Rule 1.01?</p> <p>(b) Will the shares held by Company A on behalf of the beneficiaries of the scheme be regarded as being “in public hands”?</p> <p>(c) Trustee A, acting as the trustee of the scheme, holds more than 10% of Listco’s total issued shares. Under the scheme, it is not allowed to exercise the voting</p>	<p>(a) Yes. The exclusion for the definition of “associate” under Rule 14A.12(1)(b) does not apply to the definition of “close associate” under Rule 1.01.</p> <p>(b) No, because Trustee A is a close associate of Listco’s directors and therefore a core connected person for the purpose of Rule 8.24.</p> <p>(c) No. Trustee A does not fall under the definition of “substantial shareholder” under rule 1.01.</p> <p><i>(Added in July 2014)</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
			rights attaching to shares. Is Trustee A a substantial shareholder of Listco?	
<b>Definition of associates - Company held by connected person through its interest in the issuer</b>				
5.	14A.14	20.12	<p>Is Company B an associate of Mr. X in the following scenario?</p>  <pre> graph TD   X[X] -- "&gt;50%" --&gt; Listco[Listco]   X -- "30%" --&gt; CompanyA[Company A]   Listco -- "40%" --&gt; CompanyB[Company B]   CompanyA -- "15%" --&gt; CompanyB   style X fill:#ffff00   style CompanyB fill:#cccccc </pre>	<p>Yes, because Company B is a 30%-controlled company of Mr. X, and it is not exempt under Rule 14A.14 as Company A (being Mr. X's associate) has an interest in Company B of more than 10%.</p>
6.	14A.14	20.12	<p>Is Company D as an associate of Mr. X in the following scenario?</p>  <pre> graph TD   X[X] -- "&gt;50%" --&gt; Listco[Listco]   X -- "15%" --&gt; CompanyC[Company C]   Listco -- "45%" --&gt; CompanyD[Company D]   CompanyC -- "55%" --&gt; CompanyD   style X fill:#ffff00   style CompanyD fill:#cccccc </pre>	<p>No. The exemption under Rule 14A.14 applies in this case because:</p> <ul style="list-style-type: none"> <li>(i) Mr. X's 45% interest in Company D is held through Listco; and</li> <li>(ii) Company C is not an associate of Mr. X. Neither Mr. X nor any of his associates has a direct interest in Company D.</li> </ul>

No.	Main Board Rules	GEM Rules	Query	Response
<b>Definition of connected transaction</b>				
7.	14A.06(27) 14A.24(2)(a)	20.06(27) 20.22(2)(a)	<p>Under the non-competition agreement between Listco and its controlling shareholder, Listco has been granted a right of first refusal to acquire certain assets from the controlling shareholder at a price and on terms to be negotiated between the parties.</p> <p>If Listco decides not to exercise the “right of first refusal” when the controlling shareholder proposes to sell the assets, will it be regarded as non-exercise of an option and subject to the connected transaction requirements?</p>	<p>Given that the terms of the acquisition are subject to further negotiation between the parties, the right of first refusal does not constitute an option under Rule 14A.06(27). Therefore, non-exercise of the right of first refusal by Listco does not constitute a non-exercise of an option.</p>
8.	14A.24(2)	20.22(2)	<p>Listco has been granted an option to acquire a coal mine from its controlling shareholder within a period of three years from the date of grant.</p> <p>(a) Under the option agreement, the option will be terminated if the mining license</p>	<p>(a) No. Since the termination of the option is made under the term of the agreement and Listco has no discretion over the termination, it does not constitute a transaction under Note to Rule 14A.24(2)(a).</p> <p>(b) Yes. As Listco decides not to exercise the option, it must classify the transaction under Rule 14A.79(4)</p>

No.	Main Board Rules	GEM Rules	Query	Response
			<p>cannot be obtained within 12 months from the date of the agreement. Will such termination constitute a connected transaction for Listco?</p> <p>(b) If Listco allows the option to lapse upon expiry of the option period (and the mining license was obtained), will this constitute a connected transaction for Listco?</p>	<p>and comply with the applicable announcement and shareholder approval requirements before expiry of the option period.</p>
<b>Transactions with connected persons</b>				
9.	14A.24(4), 14A.25	20.22(4), 20.23	<p>A wholly owned subsidiary of Listco proposes to obtain a bank loan which will be guaranteed by Listco's substantial shareholder on normal commercial terms. No security over the assets of Listco's group will be provided for the guarantee.</p> <p>Listco has agreed to indemnify the substantial shareholder for the loan guaranteed by it. Does the provision of the</p>	<p>No. The indemnity is a financial assistance provided by Listco in favour of its wholly owned subsidiary, and is not a connected transaction.</p>

No.	Main Board Rules	GEM Rules	Query	Response
			indemnity constitute a connected transaction for Listco?	
10.	14A.24(4), 14A.25	20.24(4), 20.23	<p>Subsidiary X is owned as to 90% by Listco and 10% by Mr. A who is a connected person at the subsidiary level.</p> <p>Listco has agreed to provide a guarantee for the full amount of a loan facility granted by a bank to Subsidiary X. Will it be regarded as provision of financial assistance to Mr. A on the basis that he is not required to provide any guarantee for the loan facility in proportion to his interest in Subsidiary X?</p>	No. The guarantee is provided by Listco for the benefit of Subsidiary X. It is not regarded as provision of financial assistance to Mr. A.
11.	14A.25	20.23	Listco has entered into an agreement to acquire a target company from Company A. Listco has also entered into an agreement with Company A for purchase of raw materials at the then market prices from time to time for a 3-year period after the completion of the acquisition.	Yes, as the terms are not fixed at the time Company A is an independent third party, Listco must comply with all applicable announcement, reporting, annual review and shareholder approval requirements in relation to the agreement for the purchase transactions.



No.	Main Board Rules	GEM Rules	Query	Response
			<p>Company A is an independent third party at the time of entering into the above agreements, but it will become a substantial shareholder of Listco by receiving consideration shares issued by Listco to it upon completion of the acquisition of the target company.</p> <p>Will the purchase of raw materials from Company A constitute a connected transaction?</p>	
<b>Connected transaction requirements</b>				
11A.	14A.40, 14A.45	20.38, 20.43	<p>Rules 14A.40 and 14A.45 require the independent board committee and the independent financial adviser to give opinions on, among others, whether the connected transaction is in the ordinary and usual course of business of the issuer's group.</p> <p>Does the above requirement apply to one-off</p>	<p>Yes. If the proposed connected transaction is not conducted in the ordinary and usual course of business of the issuer, the independent board committee and independent financial adviser can make a negative statement and explain why the transaction is in the interest of the issuer and its shareholders as a whole.</p> <p><i>(Added in July 2014)</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
			connected transactions such as merger and acquisition or continuing connected transactions that do not form part of the issuer's existing principal business activities?	
<b>Continuing connected transactions</b>				
11B.	14A.51, 14A.52	20.49, 20.50	<p>An issuer proposes to enter into an agreement with its connected person for sale of products where the consideration will be charged based on cost plus 2% mark-up.</p> <p>(a) Is it acceptable for the issuer to disclose the pricing mechanism (i.e. cost-plus method) without the 2% mark-up percentage?</p> <p>(b) Our Guidance Letter (GL 73-14) on pricing policies for continuing connected transactions states that where an issuer has difficulty in agreeing on specific pricing terms for its continuing connected transaction, it should disclose</p>	<p>(a) No. The issuer is obliged to disclose the 2% mark-up percentage because it is part of the terms of the transaction.</p> <p>(b) No. Given there are specific pricing terms in the agreement, the issuer only has to disclose the pricing term contained in the agreement and explain why the issuer's directors consider that they are normal commercial terms. The announcement/circular must also contain the view of the independent non-executive directors on the terms of the transactions.</p> <p><i>(Added in July 2014)</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
			<p>the method and procedures that it will follow to determine the price and terms of the transaction.</p> <p>Does the issuer have to disclose the methods and procedures for determining the pricing term of the sale transaction?</p>	
11C.	14A.51, 14A.52	20.49, 20.50	<p>An issuer proposes to enter into a framework agreement for a continuing connected transaction.</p> <p>If the issuer cannot agree with the connected person on specific pricing terms for the transaction, how should it comply with the disclosure requirement on the pricing policy?</p>	<p>The issuer should agree with the connected person a framework for determining the pricing and terms of the transaction and disclose this pricing framework in the agreement and its announcement/circular. This pricing framework would likely be the same as that for transactions conducted by the issuer with independent third parties. See paragraph 9 of the Exchange's Guidance Letter (GL73-14) for further guidance.</p> <p><i>(Added in July 2014)</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
11D.	14A.51, 14A.52	20.49, 20.50	<p>An issuer proposes to enter into a framework agreement with its parent company for sale of different types of products.</p> <p>If different pricing policies apply to the different types of products, does the issuer have to disclose the pricing policy for each type of products?</p>	<p>The issuer should categorise the products by their pricing policies and disclose separate pricing policies for each product category.</p> <p><i>(Added in July 2014)</i></p>
11E.	14A.51, 14A.52	20.49, 20.50	<p>An issuer proposes to supply natural gas to its parent company based on government prescribed price that may change from time to time.</p> <p>How should the issuer describe the pricing policy for this continuing connected transaction?</p>	<p>The issuer should disclose all the relevant details such as the name of the relevant government authority setting the reference price, how and where the price is disclosed or determined and, if applicable, the frequency of update to the price.</p> <p><i>(Added in July 2014)</i></p>
11F.	14A.52	20.50	<p>An issuer proposes to enter into a framework agreement for a continuing connected transaction with a director of its subsidiary. The transaction is exempt from the</p>	<p>Yes. Rule 14A.52 applies to continuing connected transactions with persons connected at the subsidiary level if the transactions are more than three years.</p>

No.	Main Board Rules	GEM Rules	Query	Response
			<p>shareholder approval, independent financial advice and circular requirements under Rule 14A.101.</p> <p>If the agreement is more than three years, does the issuer have to appoint an independent financial adviser under Rule 14A.52 to confirm that it is normal business practice for agreement of this type to be of such duration?</p>	<p><i>(Added in July 2014)</i></p>
11G.	14A.54	20.52	<p>Listco has announced and obtained shareholder approval for entering into a master agreement with its parent company, which covers four different types of continuing connected transactions with separate annual caps.</p> <p>During the year, Listco expects that the actual amount of two types of continuing connected transactions under the agreement will exceed their annual caps. However, the</p>	<p>Yes. Listco must re-comply with the announcement and shareholder approval requirements under Rule 14A.54 because the actual amount of the sales of goods and supply of utilities to its parent company will exceed their individual annual caps.</p> <p><i>(Added in July 2014)</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
			<p>total annual cap for all transactions under the agreement will remain unchanged.</p> <p>Is Listco required to re-comply with the announcement and shareholder approval requirements?</p>	
11H.	14A.55, 14A.56	20.53, 14A.54	<p>An issuer has entered into agreements for certain continuing connected transactions which are not fully exempt under Chapter 14A of the Rules.</p> <p>Does the issuer have to comply with the requirements for annual review by its independent non-executive directors and auditors if no continuing connected transaction has taken place during the year?</p>	<p>No.</p> <p><i>(Added in July 2014)</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
<b>When a continuing transaction subsequently becomes connected</b>				
12.	14A.60	20.58	<p>Rule 14A.60 applies where the issuer has entered into an agreement with fixed terms for a continuing transaction.</p> <p>Please clarify the meaning of</p> <p>(a) an agreement with fixed terms; and</p> <p>(b) a framework agreement.</p>	<p>(a) An agreement with fixed terms refers to an agreement which sets out the specific terms for a continuing connected transaction, including the actual or per unit consideration in monetary terms, or a fixed formula for determining the consideration, or specific reference prices (e.g. prices prescribed by government or commodity prices quoted on an exchange) which form the basis of the consideration and where the volume transacted (e.g. number of units) is fixed.</p> <p>(b) A framework agreement refers to an agreement which sets out the framework within which a series of continuing connected transactions are to be conducted over a period. The actual terms of each transaction would be negotiated on a per transaction bases. The consideration for individual transactions may be subject to pricing guidelines or based on a range of parameters. Some of these agreements provide that the individual transaction will be conducted at market prices or the terms of individual transactions will be negotiated on an</p>

No.	Main Board Rules	GEM Rules	Query	Response
				arm's length basis.
<b>De minimis exemptions</b>				
13.	14A.76(1), 14A.76(2) 14A.90	20.74(1), 20.74(2), 20.88	<p>An issuer proposes to obtain a loan from its controlling shareholder on normal commercial terms. Since the loan will be secured by certain assets of the issuer, it is not exempt under Rule 14A.90.</p> <p>Can the issuer apply the de minimis exemptions to the above transaction? If yes, how should the issuer compute the size tests for classifying the transaction?</p>	<p>The issuer may apply the de minimis exemption. It should compute the assets ratio and consideration ratio based on the principal amount of the loan and the revenue ratio based on the annual interests payable to its controlling shareholder. Given the loan is to be secured by the issuer's assets, the issuer should also compute the asset ratio and consideration ratio based on the value of the assets and also the revenue ratio based on any identifiable revenue stream generated from the assets.</p>
13A.	14A.76, 14A.91	20.74, 20.89	<p>Can an issuer apply the de minimis exemptions under Rule 14A.76 for provision of an indemnity for its director which is not exempt under Rule 14A.91?</p>	<p>The issuer may apply the de minimis exemptions only if it can ascertain the maximum exposure that may arise from the director's indemnity arrangement. In this case, it should compute the asset ratio and consideration ratio based on the estimated maximum exposure amount.</p> <p><i>(Added in July 2014)</i></p>



No.	Main Board Rules	GEM Rules	Query	Response
13B.	14A.76, 14A.96	20.74, 20.94	How should an issuer compute the size tests for purchase of insurance for its director which is not exempt under Rule 14A.96?	<p>The issuer should compute the asset ratio, revenue ratio and consideration ratio based on the maximum annual amount of premium payable under the director's insurance.</p> <p><i>(Added in July 2014)</i></p>
<b>Connected transactions involving options</b>				
14.	14A.79(4)(b)	20.77(4)(b)	<p>An issuer is allowed to adopt the new alternative tests under Rule 14A.79(4)(b) for classifying transfer or termination or non-exercise of options if an asset valuation is provided by an independent expert using generally acceptable methodologies.</p> <p>(a) Does an issuer have to seek the Exchange's prior consent to adoption of the alternative tests under Rule 14A.79(4)(b) ?</p> <p>(b) Please clarify what are "generally acceptable methodologies" referred to in Rule 14A.79(4)(b) and who is qualified</p>	<p>(a) Yes.</p> <p>(b) The valuation should follow the valuation standards that are widely used by professional asset/business valuers in the market and the valuer must be regulated by a recognised professional body. Examples of acceptable valuation standards include International Valuation Standards, Hong Kong Institute of Surveyor Valuation Standards on Trade-related Business Assets and Business Enterprise, The Hong Kong Business Valuation Forum Business Valuation Standards.</p>

No.	Main Board Rules	GEM Rules	Query	Response
			to provide such asset valuation.	
14A.	14A.79(4)(b)	20.77(4)(b)	<p>Under Rule 14A.79(4)(b), the Exchange may allow an issuer to adopt the alternative classification test for transfer, termination or non-exercise of option granted by a connected person. Under the alternative classification test, the issuer must compute the asset and consideration ratios based on the higher of:</p> <ul style="list-style-type: none"> <li>(i) the difference between the exercise price and the underlying asset value; and</li> <li>(ii) The consideration or amount payable or receivable by the issuer's group.</li> </ul> <p>Should the issuer use the consideration payable or receivable upon the exercise of the option for (ii) above?</p>	<p>No. The issuer should compute the alternative classification test under Rule 14A.79(4)(b)(ii) using consideration or amount payable or receivable (if any) for the transfer, termination or non-exercise of the option.</p> <p><i>(Added in July 2014)</i></p>

No.	Main Board Rules	GEM Rules	Query	Response
<b>Aggregation of transactions</b>				
15.	14A.09, 14A.81	20.08, 20.79	<p>A few months ago, Listco entered into a one-off transaction with Mr. A (the Previous Transaction) who at that time qualified for the insignificant subsidiary exemption.</p> <p>Mr. A is recently appointed as a director of Listco and no longer qualifies for the insignificant subsidiary exemption. When Listco enters into a new transaction with Mr. A, will it need to aggregate the proposed transaction with the Previous Transaction for the purpose of the connected transaction Rules?</p>	No, because the Previous Transaction was not a connected transaction for Listco.
<b>Financial assistance</b>				
16.	14A.76, 14A.87	20.74, 20.85	Does the de minimis exemption under Rule 14A.87 apply to financial assistance provided by an issuer or its subsidiary which is not a banking company?	Rule 14A.87 applies to banking companies only. For an issuer which is a non-banking company, it may apply the de minimis exemption under Rule 14A.76 if the financial assistance is provided to connected person on normal commercial terms and falls within the de minimis threshold.

No.	Main Board Rules	GEM Rules	Query	Response
17.	14A.89	20.87	<p>Company A is 60% owned by Listco and 40% by Listco's controlling shareholder.</p> <p>Company A has obtained a bank facility for which Listco has provided a full guarantee in favour of the bank (the "Bank Guarantee"). As Company A is a connected subsidiary of Listco, the provision of the Bank Guarantee constitutes a connected transaction for Listco.</p> <p>Can Listco apply the exemption under Rule 14A.89 if Listco's controlling shareholder has agreed to a counter-guarantee to Listco for 40% of the outstanding loan balance drawn by Company A under the bank facility?</p>	<p>No. The exemption under Rule 14A.89 applies only if the guarantee provided by Listco is in proportion to its interest in Company A and on a several basis.</p>
<b>Directors' indemnity/ insurance/ service contracts</b>				
18.	14A.91	20.89	(1) Does the new exemption for providing directors' indemnity apply if the indemnity relates to the director's liabilities to third parties in connection	(1) No, because provision of indemnity that relates to such director's liabilities is not allowed under the Hong Kong Companies Ordinance.

No.	Main Board Rules	GEM Rules	Query	Response
			<p>with negligence, default and breach of duty by directors?</p> <p>(2) What if the indemnity covers directors' liabilities which are not limited to those arising from his proper discharge of duties?</p>	<p>(2) No, because the indemnity does not meet all the conditions set out in the Rule.</p>
19.	14A.91, 14A.95, 14A.96	20.89, 20.93, 20.94	<p>If a director's service contract covers provision of indemnity or purchase of insurance which is not exempt under Rules 14A.91 and 14A.96, can the issuer apply the directors' service contract exemption under Rule 14A.95?</p>	No.
20.	<a href="#">14A.95, Note 1 to 13.36(2)(b)</a>	<a href="#">20.93, Note to 17.41(2)</a>	<p>Mr. A is a director of Listco. Under his director service contract, he may be entitled to receive share awards to be granted under Listco's share award scheme.</p> <p>Can Listco apply the directors' service contract exemption under Rule 14A.95 if the</p>	<p>No. Transactions or arrangements involving issuance of new shares by a listed issuer to its connected persons are exempt from the connected transaction Rules only if they fall under the circumstances described in Rule 14A.92. Therefore, the grant of share awards in form of new shares to Mr. A will be subject to the announcement, reporting and shareholder approval</p>

No.	Main Board Rules	GEM Rules	Query	Response
			share awards are granted to Mr. A in form of new shares of Listco?	requirements under Chapter 14A.
21.	14A.96	20.94	<p>Listco proposes to purchase insurance for Mr. A against liabilities to third party that may be incurred in the course of performing his duties as a director of Listco as well as the manager of certain subsidiaries of Listco.</p> <p>Does the new exemption for purchasing directors' insurance apply to the above insurance arrangement?</p>	Yes, provided that the arrangement is in the form permitted under the laws of Hong Kong and Listco's place of incorporation.
	<b>Issue of securities</b>			
21A.	14A.92(2), 14A.76	20.90(2), 20.74	<p>An issuer proposes a right issue which will be underwritten by its controlling shareholder. The underwriting fee will be charged at the market rate.</p> <p>Will the underwriting arrangement be exempt from the connected transaction Rules?</p>	<p>The issue of shares to the controlling shareholder in his capacity as the underwriter will be fully exempt from the connected transaction Rules if the issuer has complied with Rule 7.21.</p> <p>The payment of fee to the controlling shareholder may be exempt from the announcement, reporting and shareholder approval requirement only if the</p>

No.	Main Board Rules	GEM Rules	Query	Response
				underwriting fee is below the de minimis thresholds under Rule 14A.76.  <i>(Added in July 2014)</i>
<u>21B.</u>	<u>14A.92, 14A.101, Note 1 to 13.36(2)(b)</u>	<u>20.90, 20.99, Note to 17.41(2)</u>	<u>Company A is the substantial shareholder of a subsidiary of Listco. It is a connected person of Listco at the subsidiary level.</u>  <u>Listco proposes to place new shares for cash to Company A. Can Listco apply the exemption for transactions with connected persons at the subsidiary level under Rule 14A.101 to exempt the proposed placing from the independent shareholder approval requirement under Chapter 14A?</u>	<u>No. Transactions or arrangements involving issuance of new shares by a listed issuer to its connected persons are exempt from the connected transaction Rules only if they fall under the circumstances described in Rule 14A.92. As Company A is a connected person of Listco, the issue of new shares of Listco to it will be subject to the announcement, reporting and shareholder approval requirements under Chapter 14A.</u>  <i>(Added in May 2015)</i>
<u>21C</u>	<u>14A.09, Note 1 to 13.36(2)(b)</u>	<u>20.08, Note to 17.41(2)</u>	<u>Listco proposes to issue new shares to Mr. A as the consideration for an acquisition of assets from Mr. A.</u>	<u>As Mr. A is not a connected person of Listco, the proposed transaction is not a connected transaction under Chapter 14A.</u>

No.	Main Board Rules	GEM Rules	Query	Response
			<u>Mr. A is a director of certain insignificant subsidiaries of Listco. If Mr. A meets the conditions for the significant subsidiary exemption under Rule 14A.09 at the time of the proposed transaction, is the transaction subject to the connected transaction requirements under Chapter 14A?</u>	<i>(Added in May 2015)</i>
<b>Consumer goods or services exemption</b>				
21 <u>D</u> <b>B.</b>	14A.97	20.95	An issuer is principally engaged in provision of financial services including sale of wealth management products to retail customers.  Does the consumer goods or service exemption under Rule 14A.97 apply to sale of wealth management products by the issuer to its director for his personal investment?	The issuer may apply the consumer goods or service exemption if the same products are made available for sale to other independent customers and the transaction with the director is conducted on normal commercial terms.  <i>(Added in July 2014)</i>
<b>Transactions with associate of passive investor</b>				
22.	14A.99	20.97	To qualify for the “passive investor”	No.



No.	Main Board Rules	GEM Rules	Query	Response
			<p>exemption, the passive investor must not have any representatives on the board of directors of the issuer or its subsidiaries.</p> <p>Can the passive investor have any board seat(s) at an insignificant subsidiary of the issuer?</p>	
<b>Waiver for provision of guarantees to connected subsidiaries or commonly held entities for public sector contracts awarded by tender</b>				
23.	14A.104	20.102	<p>An issuer proposes to provide a guarantee to a third party creditor for the obligations of a connected subsidiary under a government contract awarded by tender.</p> <p>While the other shareholders of the connected subsidiary will not give a similar guarantee to the creditor, they agree to provide a counter-indemnity to the issuer in proportion to their interest in the subsidiary.</p> <p>Does the issuer qualify for applying the waiver under Rule 14A.104?</p>	<p>No. Rule 14A.104 only applies if the issuer can meet all the three conditions under the Rule. In this case, the issuer fails to meet the condition that the other shareholders of the connected subsidiary must also give similar joint and several guarantee to the creditor.</p>

No.	Main Board Rules	GEM Rules	Query	Response
<b>Transitional arrangements for Rule amendments</b>				
24.	<b>(FAQ withdrawn on 1 April 2015)</b>			
25.	14A.12(1)(a), 14A.14, 14A.76(1)(c), 14A.96, 14A.97	20.10(1)(a), 20.12, 20.74(1)(c), 20.94, 20.95	<p>Before the Rule amendments becoming effective, Listco has entered into an agreement for certain continuing connected transactions, and has complied with the announcement, circular and/or shareholders' approval requirements applicable to the agreement.</p> <p>Can Listco apply the new/revised Rules to the continuing connected transactions to be conducted under the agreement after Rule amendments?</p>	<p>Yes if the transactions to be conducted under the agreement after the Rule amendments can meet all the exemption conditions under the relevant new/revised Rules (e.g. the transactions have a total value of less than HK\$3 million which are therefore fully exempt under the revised Rules). Listco may announce that it will apply the exemption to these transactions, and the reporting or annual review of the transactions will not be required in the next annual report(s).</p>
26.	<b>(FAQ withdrawn on 1 April 2015)</b>			