

Listing Decisions Series 3-3 - Rule 14.26 - The basis upon which a cap may be set in relation to waivers granted to Company A for on-going connected transactions (June 1999) (Withdrawn in September 2009)

[This Listing Decision is no longer applicable after the rule amendments in March 2004 to introduce requirements for continuing connected transactions in Chapter 14A of Main Board Rules. The relevant rule after the rule amendments is Main Board Rule 14A.35(2).]

Summary	
Name of Parties	Company A – a listed company Company B – a listed subsidiary of Company A
Subject	The basis upon which a cap may be set in relation to waivers granted to Company A for on-going connected transactions
Listing Rule	Rule 14.26
Decision	Any caps must be set by reference to figures which are readily ascertainable from published information of Company A

Summary of Facts

After Company A acquired a majority interest in Company B, certain on-going purchases between Company B and its connected persons (which constituted connected transactions for Company B) became connected transactions also for Company A. Accordingly, Company A applied for a three-year waiver from the on-going disclosure and/or shareholders' approval requirements each time the connected transaction is entered into, subject to the standard waiver conditions including, among other things, caps being set on the aggregate value of the connected transactions for each financial year.

Company A proposed to set a cap as a percentage of the total purchases of Company B.

Analysis

Any caps for Company A should be set by reference to figures readily ascertainable from Company A's published information (such as its annual report). Accordingly, the proposed caps could not be based on:

1. Company B's total purchases or any other figures of Company B; or
2. total purchases of Company A,

since these are not disclosed in Company A's annual report or any other published information of Company A.

Decision

Company A could set a cap on the on-going purchases by reference to Company A's total turnover as disclosed in its annual report for the relevant financial year. Company B could also set a cap based on its total turnover. As an additional requirement, Company A would be deemed to have breached the waiver condition if Company B's cap was exceeded.