



Our Ref. : CS/433/2008

Date : 7 April 2008

By e-mail and by hand

Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre,
1 Harbour View Street,
Central,
Hong Kong.

Attn. : Corporate Communications Department

Dear Sirs,

RE: COMBINED CONSULTATION PAPER ON PROPOSED CHANGES TO THE
LISTING RULES

We submit our view specially on Issue 5 (Public Float) of the captioned consultation paper dated January 2008 as follows:-

Proposed amendments to Rule 8.24 of the Listing Rules

We note from the Combined Consultation Paper on Proposed Changes to the Listing Rules issued by you in January 2008 that it is your proposal to amend Rule 8.24 to include any person who is entitled to exercise, or control the exercise of, 5% or more of the voting power at any general meeting of the issuer, regardless of such person's involvement in the business of the issuer or relationship with the issuer and/or its connected persons.

In particular, paragraphs 5.24 to 5.26 of the Combined Consultation Paper refer to the influence of cornerstone investors in IPO scenarios. The Stock Exchange takes the view that these cornerstone investors have exerted considerable influence over issuers. Whilst this may be an argument for introducing new public float "quantitative" requirements for IPO/cornerstone scenarios, we strongly believe that such a step would be both unreasonable and prejudicial to companies currently listed on the Stock Exchange, and to their shareholders. In our view, the Stock Exchange should apply the public float criteria in a more "qualitative" manner, examining the detailed facts and circumstances of existing companies where the "public float" issue has arisen, to determine if there is a real need for remedial action in specific cases of the type envisaged by the new requirements.

新鴻基証券有限公司

總辦事處:

香港中環添美道1號中信大廈1201室

電話 : (852) 3920 2888 傳真 : (852) 3920 2789

SUN HUNG KAI SECURITIES LIMITED

Head Office :

1201 CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

General Line : (852) 3920 2888 Fax : (852) 3920 2789

網址 : <http://www.shkf.com>

Website : <http://www.shkf.com>

.../2

(cont'd)

- 2 -

Quantitative and qualitative criteria of being "Public"

In our case, based on the information available from our register maintained pursuant to Part XV of the Securities and Futures Ordinance, the following shareholders have an interest in 5 per cent. or more of our voting rights:

Name	Interest in the shares of the Company	Approximate percentage of issued shares of the Company
Allied Properties (H.K.) Limited	985,108,892	58.64%
Dubai Investment Group Limited	168,042,000	10.00%
Penta Investment Advisers Limited ("Penta")	141,643,352	8.43%
COL Capital Limited ("COL")	93,059,000	5.54%
Others	297,216,443	17.39%

As neither COL nor Penta is "connected" to us, approximately 31.36 per cent of the issued share capital of the Company is in public hands, to the best of our knowledge. In this regard, we clearly have maintained a sufficient public float (i.e. at least 25 per cent. of our total issued share capital remains in public hands) in compliance with Rule 13.32(1) and Rule 8.08 of the Listing Rules.

In the event the 5% rule now proposed is implemented, our level of public float as defined would be reduced to 17.39 per cent. We would then inevitably be in breach of Rule 13.32(1) and Rule 8.08 of the Listing Rules as the shareholding of Penta and COL would no longer be classified as public, despite the fact that they are independent of the Company (as they have no representative on the Board and have no influence on the operation of the Company).

We believe that any changes to what constitutes "public" should not simply focus on "quantitative" measures, but should take account of the facts about relationships between shareholders in particular cases. "Qualitative" attributes may include (a) forms of influence on an issuer, e.g. Board representation, or involvement in the business of the issuer; and (b) the relationship with the issuer, e.g. being strategic shareholders, or cornerstone investors.

新鴻基証券有限公司

總辦事處:

香港中環添美道1號中信大廈1201室

電話 : (852) 3920 2888 傳真 : (852) 3920 2789

SUN HUNG KAI SECURITIES LIMITED

Head Office :

1201 CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

General Line : (852) 3920 2888 Fax : (852) 3920 2789

網址 : <http://www.shkf.com>

Website : <http://www.shkf.com>

.../3

(cont'd)

- 3 -

Additionally we note that elsewhere in the Listing Rules the definition of a "connected person" to an issuer, inter alia, includes a substantial shareholder who is entitled to exercise, or control the exercise of, 10% or more of the voting rights in the issuer (as defined in Chapters 1 and 14A of the Listing Rules). What is "connected" and what is "non-public" would seem to be essentially the same. We would submit, therefore, that it is not appropriate to define an investor as "non-public" merely because such an investor holds a 5% interest in the issuer, where there is no other material relationship with, or influence over, the issuer.

Violating principle of free trade and prejudice to shareholders

One of the most attractive aspects of the Hong Kong stock market to investors is its high degree of freedom to trade. As you will no doubt appreciate, in most circumstances listed issuers have no control or influence over the level of shareholding held by individual shareholders. We are also of the view that it would be unreasonable and unfair for an issuer to try to assert such an influence on independent shareholders.

In most cases when an issuer is put in a position of non-compliance with the public float requirements, it reflects changes made by certain shareholders to their shareholdings: the issuer is passive to those changes. In seeking to restore its public float, the issuer is largely at the mercy of those shareholders, or dependent on the goodwill of some other major shareholders to undertake a placing down exercise. If these major shareholders decide to do nothing, the last resort for the issuer is to issue new shares to dilute existing shareholdings, which may well be against the interests of shareholders and the issuer. And, of course, such a step may offer only temporary relief should other existing shareholders decide independently to take their stakes above the cut-off point.

In addition, we consider that it would not be to the advantage and interest of the shareholders as a whole for issuers to need to rush into issuance of new shares in the present volatile market. Reducing the threshold to 5% will cause market confusion if issuers are obliged to place out new/ existing shares at short notice to meet the proposed new requirement.

Undue burden on listed companies

Apart from the prejudicial effect it has on existing shareholders, the proposed change will also create an undue burden on listed companies. The lowering of the threshold to 5% increases the chance of breaching the Listing Rules on the part of listed companies. Listed companies would be expected to monitor shareholdings of shareholders on a much more frequent basis.

新鴻基証券有限公司

總辦事處:

香港中環添美道1號中信大廈1201室

電話 : (852) 3920 2888 傳真 : (852) 3920 2789

SUN HUNG KAI SECURITIES LIMITED

Head Office :

1201 CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

General Line : (852) 3920 2888 Fax : (852) 3920 2789

網址 : <http://www.shkf.com>

Website : <http://www.shkf.com>

.../4



Our Ref. : CS/433/2008

Date : 7 April 2008

(cont'd)

- 4 -

In turn, to maintain the level of public float, listed companies may need to constantly intervene in the level of shareholding held by substantial shareholders. The reporting obligations associated with such intervention would ultimately increase the costs incurred by listed companies, which would certainly not be in the best interests of shareholders or the market's competitiveness as a whole.

Proposed amendments to Rule 8.08(1)(d) of the Listing Rules

We note the proposed amendments to Rule 8.08(1)(d) of the Listing Rules. Given the proposed amendments to Rule 8.24 of the Listing Rules, we urge you also to consider extending Rule 8.08(1)(d) to existing listed companies.

Rule 8.08(1)(d) seeks to ensure the presence of a meaningful level of shares available for trading, thus reducing the possibility of market manipulation. Companies often start up with smaller market capitalisation at the time of listing, but gradually increase it through business development and expansion. If existing listed companies wish, and are able, to increase their market capitalisation at a later stage, they should be entitled to continue to enjoy the threshold limits set by Rule 8.08(1)(d).

Consistent with this argument, if the proposed amendments to Rule 8.08(1)(d) are implemented, it would be appropriate for existing listed companies, whose market capitalisation stands between HK\$10 billion and HK\$40 billion, to be entitled to enjoy the 15% public float threshold; and for those with market capitalisation over HK\$40 billion to be entitled to enjoy the 10% public float threshold.

Should you have any enquires, please feel free to contact our Company Secretary, Ms. Hester WONG at 2106 8600 or e-mail address at hester.wong@shkf.com.

Yours faithfully,
For and on behalf of
SUN HUNG KAI & CO. LIMITED

Joseph TONG
Executive Director

新鴻基証券有限公司

總辦事處:

香港中環添美道1號中僑大廈1201室

電話 : (852) 3920 2888 傳真 : (852) 3920 2789

SUN HUNG KAI SECURITIES LIMITED

Head Office :

1201 CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

General Line : (852) 3920 2888 Fax : (852) 3920 2789

網址 : <http://www.shkf.com>

Website : <http://www.shkf.com>

QUESTIONNAIRE ON PROPOSED CHANGES TO THE LISTING RULES

The purpose of this questionnaire is to seek views and comments from market users and interested parties regarding the issues discussed in the Combined Consultation Paper on Proposed Changes to the Listing Rules (the “Combined Consultation Paper”) published by The Stock Exchange of Hong Kong Limited (the Exchange), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx), in January 2008.

Amongst other things, the Exchange seeks comments regarding whether the current Main Board Listing Rules and Growth Enterprise Market Listing Rules should be amended.

A copy of the Combined Consultation Paper can be obtained from the Exchange or at <http://www.hkex.com.hk/consul/paper/consultpaper.htm>.

Please return completed questionnaires on no later than **7 April 2008** by one of the following methods:

By mail or hand delivery to: Corporate Communications Department
Re: Combined Consultation Paper on Proposed Changes to the Listing Rules
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

By fax to: (852) 2524-0149

By email to: cvw@hkex.com.hk

The Exchange’s submission enquiry number is (852) 2840-3844.

Please indicate your preference by ticking the appropriate boxes.

Where there is insufficient space provided for your comments, please attach additional pages as necessary.

Issue 1: Use of websites for communication with shareholders

Question 1.1: Do you agree that the Rules should be amended so as to remove the requirement that all listed issuers must, irrespective of their place of incorporation, comply with a standard which is no less onerous than that imposed from time to time under Hong Kong law for listed issuers incorporated in Hong Kong with regard to how they make corporate communications available to shareholders (as proposed in paragraph 1.20(a) of the Combined Consultation Paper)?

- Yes
 No

Please provide reasons for your views.

There are certainly some shareholders who would prefer to receive hard copies of the corporate communications instead of through the issuers' websites.

Question 1.2: Do you agree that the Rules should be amended so as to allow a listed issuer to avail itself of a prescribed procedure for deeming consent from a shareholder to the listed issuer sending or supplying corporate communications to him by making them available on its website?

- Yes
 No

Please provide reasons for your views.

Consent should be obtained expressly in writing.

Question 1.3: In order for a listed issuer under our proposal to be allowed to send or supply corporate communications to its shareholders by making them available on its website, its shareholders must first have resolved in general meeting that it may do so or its constitutional documents must contain provision to that effect. Do you concur that, as in the UK, the listed issuer should also be required to have asked each shareholder individually to agree that the listed issuer may send corporate communications generally, or the corporate communications in question, to him by means of the listed issuer's website and to have waited for a specified period of time before the shareholder is deemed to have consented to a corporate communication being made available to him solely on the listed issuer's website?

- Yes
 No

Please provide reasons for your views.

As long as the shareholders have in general meeting approved the new delivery mode or amend its constitutional documents to allow such mode, the issuers shall have the power to supply corporate communications to shareholders by making them available on its website. If the issuers would also be required to obtain consent from each shareholder, that is duplicating the effort and resources for the same matter.

Question 1.4: If your answer to *Question 1.3* is “yes”, do you agree that:

(a) the specified period of time for which the listed issuer should be required to have waited before the shareholder is deemed to have consented to a corporate communication being made available to him solely on the listed issuer’s website should be 28 days;

- Yes
- No

(b) where a shareholder has refused to a corporate communication being made available to him solely on the listed issuer’s website, the listed issuer should be precluded from seeking his consent again for a certain period of time; and

- Yes
- No

(c) if your answer to (b) is “yes”, should the period be 12 months?

- Yes
- No

Please provide reasons for your views.

Do you have any other comments you consider necessary to supplement your reply to this *Question 1.4*?

Question 1.5: Do you consider that the Rules should be amended to remove the requirement for express, positive confirmation from a shareholder for the sending of a corporate communication by a listed issuer to the shareholder on a CD?

- Yes
 No

Please provide reasons for your views.

But, it should be amended to the effect that upon receiving an express, positive confirmation from a shareholder, a listed issuer can refer its shareholders to view the corporate communication in its website instead of on a CD to be sent out to save the costs of the listed issuer.

Question 1.6: Do you agree that the draft Rules at Appendix 1 will implement the proposals set out in Issue 1 of the Combined Consultation Paper?

- Yes
 No

Please provide reasons for your views.

Save for comments indicated above.

Issue 2: Information gathering powers

Question 2.1: Do you agree that a new Rule should be introduced to grant to the Exchange express general powers to gather information?

- Yes
 No

Question 2.2: Do you agree that the draft Main Board Rule 2.12A at Appendix 2 will implement the proposal set out in *Question 2.1* above?

- Yes
 No

Issue 3: Qualified accountants

Question 3.1: Do you agree that the requirement in the Main Board Rules for a qualified accountant should be removed?

- Yes
 No

Please provide reasons for your views.

The requirement for retaining a qualified professional accountant is more a matter of formality. In view of the statutory requirements of the financial reporting standards which are greatly updated recently and the fact that most issuers have retained reputable external accounting firms and professional accounting teams to carry out the audit of the accounts of their companies, the checks and balances are securely in place. In addition, issuers should have the autonomy and flexibility to decide on the allocation of resources on how to meet the regulatory requirements.

Question 3.2: Do you agree that the requirement in the GEM Rules for a qualified accountant should be removed?

- Yes
 No

Please provide reasons for your views.

Same comments as above.

Issue 4: Review of sponsor's independence

Question 4.1: Do you agree that the Rules regarding sponsor's independence should be amended such that a sponsor is required to demonstrate independence at any time from the earlier of the date when the sponsor agrees its terms of engagement with the new applicant and when the sponsor commences work as a sponsor to the new applicant up to the listing date or the end of the price stabilisation period, whichever is the later?

- Yes
 No

Please provide reasons for your views.

The primary role of the sponsor is to give a fair and impartial view of the applicants such that the investing public will be well informed of the business operations and potential risks of the applicants. Therefore, independence is crucial when performing its duties with impartiality in view of the public's interests.

Question 4.2: Do you agree that the draft Rules at Appendix 4 will implement the proposals set out in *Question 4.1* above?

Yes

No

Please provide reasons for your views.

As above

Issue 5: Public float

Question 5.1: Do you agree that the existing Rule 8.08(1) (d) should be amended?

Yes

No

Question 5.2: If your answer to *Question 5.1* is “yes”, do you agree that the existing Rule should be amended as proposed at Appendix 5?

Yes

No

Do you have other suggestions in respect of how the existing Rule should be amended? Please provide reasons for your views.

We agree in principal that the issuers at time of listing would be given the flexibility to comply with a lower percentage of public float requirement considering the large market capitalization.

Question 5.3: Do you have any other comments on the issue of public float? Please be specific in your views.

The proposed minimum public float requirement should also be applicable to all issuers (not only to new issuers) to be fair.

Question 5.4: Do you agree that the existing Rule 8.24 should be amended?

Yes

No

Question 5.5: If your answer to *Question 5.4* is “yes”, do you agree that the existing Rule should be amended as proposed at Appendix 5?

- Yes
 No

Do you have other suggestions in respect of how the existing Rule should be amended? Please provide reasons for your views.

Please refer to our separate submission made by the Company re: public float issue.

Question 5.6: Do you consider that there is the need to regulate the level of market float?

- Yes
 No

Question 5.7: If your answer to *Question 5.6* is “yes”, do you have suggestions as to how it should be regulated, e.g. in terms of percentage or value, or a combination of both? Please provide reasons for your views.

N/A

Issue 6: Bonus issues of a class of securities new to listing

Question 6.1: Do you agree that the requirement for a minimum spread of securities holders at the time of listing under Main Board Rules 8.08(2) and 8.08(3) should be disapplied in the event of a bonus issue of a class of securities new to listing?

- Yes
 No

Please provide reasons for your views.

We agree that since the bonus issue of shares is on pro-rata basis, it can be assumed that there is an open market in the new class of securities to be listed.

Question 6.2: Do you consider it appropriate that the proposed exemption should not be available where the listed shares of the issuer may be concentrated in the hands of a few shareholders?

- Yes
 No

If so, do you consider the five-year time limit to be appropriate?

- Yes
 No

Please provide reasons for your views.

A three-year time limit seems more reasonable.

Question 6.3: Do you agree that the draft Rules at Appendix 6 will implement the proposals set out in *Questions 6.1 and 6.2* above?

- Yes
 No

Please provide reasons for your views.

Save for comments indicated above.

Issue 7: Review of the Exchange's approach to pre-vetting public documents of listed issuers

Question 7.1: Do you agree that the Exchange should no longer review all announcements made by listed issuers?

- Yes
 No

Please provide reasons for your views.

Firstly, it is the responsibility of the listed issuers to comply with the listing rules for disclosure of the relevant information. Secondly, in view of the heavy workload of the listing division, the pre-vetting process sometimes delays the issue of an announcement and therefore unnecessarily extends the period for suspension of trading.

Question 7.2: Do you have any views on the proposed arrangements and issues the Exchange should consider in order to effect an orderly transition from the current approach to the new approach with a further reduction in the scope of pre-vetting of announcements?

When the "Guide on pre-vetting requirements for announcements and selection of headline categories for announcements" is being revised, it should be comprehensive and clear for understanding by the listed issuers.

Question 7.3: Do you support the proposal to amend the pre-vetting requirements relating to:

(a) circulars in respect of proposed amendments to listed issuers' Memorandum or Articles of Association or equivalent documents; and

Yes

No

(b) explanatory statements relating to listed issuers purchasing their own shares on a stock exchange?

Yes

No

Please provide reasons for your views.

We agree on the basis that the disclosure requirement in these circular is quite standard and clear-cut.

Question 7.4: Do you agree that the Exchange should continue to pre-vet (pursuant to a new requirement in the Rules) the categories of documents set out in paragraph 7.50 of the Combined Consultation Paper?

Yes

No

Please provide reasons for your views.

Considering the public interests and trading orderliness, we agree to codify the pre-vetting requirement on those circular under paragraph 7.5.

Question 7.5: Do you support the proposal to amend the circular requirements relating to discloseable transactions including the proposal regarding situations where the Rules currently require that expert reports are included in a circular?

- Yes
 No

Please provide reasons for your views.

We agree with the proposal to abolish the requirement for circulars relating to discloseable transaction as the key component of the discloseable transaction circular is merely a reproduction of the relevant announcement. Such circular does not give additional information to the stakeholders and would waste the resources of both the Stock Exchange and the listed issuer. The announcement itself is sufficient to serve the purpose for informing the stakeholders.

Question 7.6: Do you have any comments on the proposed minor Rule amendments described at paragraphs 7.59 to 7.63 of the Combined Consultation Paper? Please provide reasons for your views.

We suggest abolishing the requirement to include the Exchange's disclaimer statement in all of the issuers' announcements and circulars. In any event, it's the issuers' responsibilities to ensure accuracy and completeness of the announcements.

Question 7.7: Do you agree that the draft (Main Board and GEM) Rules at Appendix 7 will implement the proposals set out in Issue 7 of the Combined Consultation Paper?

- Yes
 No

Please provide reasons for your views.

Issue 8: Disclosure of changes in issued share capital

Question 8.1: Are there any other types of changes in issued share capital that should be included in the Next Day Disclosure Return?

- Yes
 No

If so, please provide reasons for your views, together with the types of changes.

Question 8.2: Have the various types of changes in a listed issuer’s issued share capital been appropriately categorised for the purpose of next day disclosure, bearing in mind the need to strike a balance between promptly informing the market on the one hand and avoiding the creation of a disproportionate burden on listed issuers on the other?

- Yes
- No

Question 8.3: Is 5% an appropriate *de minimis* threshold for those categories of changes to which it applies?

- Yes
- No

Please provide reasons for your views.

N/A

Question 8.4: Do you have any comments on the draft of the Next Day Disclosure Return for equity issuers?

In general, we do not agree the proposed implementation of the Next Day Disclosure Return for equity issuers as it creates too much burden on listed issuers. The type of changes in a listed issuer's issued share capital set out in Issue 8.5 is already comprehensive. The listed issuers should have already announced those events by announcements including the adoption of share options scheme, issue of warrants & convertible securities. Even when there is an exercise or conversion of those securities, it's unlikely to be price sensitive. In order to reflect a more updated issued share capital of the listed issuers in HKEx's website, the Exchange may consider to implement a Bi-Monthly Return to supersede the existing Monthly Return requirement. If the Next Day Disclosure Return is generally agreed by the listed issuers for implementation, suggest inserting additional spaces to fill in the "Date of Issue", "Event Giving Rise to the Allotment" and "Nominal Value of Each Share".

Question 8.5: Do you have any comments on the draft of the Next Day Disclosure Return for CISs listed under Chapter 20 of the Main Board Rules, other than listed open-ended CISs?

Nil

Question 8.6: Is 9:00 a.m. of the next business day an achievable deadline for the Next Day Disclosure Return?

- Yes
- No

Please provide reasons for your views.

Too tight

Question 8.7: Do you have any comments on the draft of the revised Monthly Return for equity issuers?

Nil

Question 8.8: Do you have any comments on the draft of the revised Monthly Return for CISs listed under Chapter 20 of the Main Board Rules, other than listed open-ended CISs?

Nil

Question 8.9: Do you have any comments on the draft of the revised Monthly Return for open-ended CISs listed under Chapter 20 of the Main Board Rules?

Nil

Question 8.10: Is 9:00 a.m. of the fifth business day following the end of each calendar month an achievable deadline for publication of the Monthly Return?

- Yes
- No

Please provide reasons for your views.

Appears to be practicable

Question 8.11: Should the Exchange amend the Rules to require listed issuers to make an announcement as soon as possible when share options are granted pursuant to a share option scheme?

- Yes
 No

If so, do you have any comments on the details which we propose to require listed issuers to disclose in the announcement?

Question 8.12: Do you agree that the draft Rules at Appendix 8A will implement the proposals set out in Issue 8 of the Combined Consultation Paper?

- Yes
 No

Please provide reasons for your views.

Please see answer to Q8.4 above

Issue 9: Disclosure requirements for announcements regarding issues of securities for cash and allocation basis for excess shares in rights issue

Question 9.1: Do you support the proposal to amend Main Board Rule 13.28 and GEM Rule 17.30 to extend the specific disclosure requirements to other categories of issues of securities for cash and to include additional items of information in the amended Rule?

- Yes
 No

Please provide reasons for your views.

For better transparency.

Question 9.2: Do you agree that the draft Rules at Appendix 9 will implement the proposal set out in *Question 9.1* above?

- Yes
 No

Please provide reasons for your views.

Additional information will be in place.

Question 9.3: Do you support the proposal to amend Main Board Rules 7.21(1) and 7.26A(1) and GEM Rules 10.31(1) and 10.42(1) to require listed issuers to disclose the basis of allocation of the excess securities in the announcement, circular and listing document for a rights issue/open offer?

- Yes
 No

Please provide reasons for your views.

For better transparency.

Issue 10: Alignment of requirements for material dilution in major subsidiary and deemed disposal

Question 10.1: Should the Rules continue to impose a requirement for material dilution, separate from notifiable transaction requirements applicable to deemed disposals?

- Yes
 No

Please provide reasons for your views.

Too much confusion in the existing requirements.

Question 10.2: Do you agree that the requirements for material dilution under Main Board Chapter 13 and GEM Chapter 17 should be aligned to those for deemed disposal in Main Board Chapter 14 and GEM Chapter 19?

- Yes
 No

Please provide reasons for your views.

Easier for listed issuer to follow

Question 10.3: Do you agree that the draft Rules at Appendix 10 will implement the proposals set out in *Question 10.2* above?

- Yes
 No

Please provide reasons for your views.

Issue 11: General mandates

Question 11.1: Should the Exchange retain the current Rules on the size of issues of securities under the general mandate without amendment?

- Yes
 No

If yes, then please provide your comments and suggestions before proceeding to *Question 11.3* below.

The current Rules give listed issuers flexibility to raise funds in the market in a timely manner.

Question 11.2: Should the Exchange amend the current Rules to restrict the size of the general mandate that can be used to issue securities for cash or (subject to your response to *Question 11.4*) to satisfy an exercise of convertible securities to: (*choose one of the following options*)

10%, with the mandate to issue securities for other purposes retained at not more than 10% (or some other percentage) of the issued share capital? If yes, then what should be the percentage of the issued share capital for issuing securities for such other purposes?

5%, with the mandate to issue securities for other purposes retained at not more than 10% (or some other percentage) of the issued share capital? If yes, then what should the percentage of the issued share capital be for issuing securities for such other purposes?

10% for any purpose (including to issue securities for cash or (subject to your response to *Question 11.4*) to satisfy an exercise of convertible securities)?

a percentage other than 10% for any purpose (including to issue securities for cash or (subject to your response to *Question 11.4*) to satisfy an exercise of convertible securities)? If you support this option, then please state the percentage you consider appropriate. _____

Please provide your comments and suggestions.

N/A

Question 11.3: Should the Exchange amend the current Rules so as to exclude from the calculation of the size limit the number of any securities repurchased by the listed issuer since the granting of the general mandate? (In other words, the listed issuer's issued share capital as at the date of the granting of the general mandate would remain the reference point for the calculation of the size limit, unless the general mandate is refreshed by the shareholders in general meeting.)

Yes

No

If yes, please provide your comments and suggestions.

Usually, the purpose for share repurchase is to facilitate the use of surplus cash resources and consequently amounts to a reduction of the company's capital. While allotment under the general mandate is usually used for the benefit of fund raising. As the reason behind these two exercises is conflicting and therefore the number of shares repurchased shall not be taken into account for the reference of share allotment under general mandate.

Question 11.4: Should the Exchange amend the current Rules such that:

- (a) the application of the current prohibition against the placing of securities pursuant to a general mandate at a discount of 20% or more to the “benchmark price” would apply only to placings of shares for cash;
- (b) all issues of securities to satisfy an exercise of warrants, options or convertible securities would need to be made pursuant to a specific mandate from the shareholders; and
- (c) for the purpose of seeking the specific mandate, the listed issuer would be required to issue a circular to its shareholders containing all relevant information?

Yes

No

Question 11.5: Do you have any other comments or suggestions in relation to general mandates? Please specify.

Nil

Issue 12: Voting at general meetings

Question 12.1: Should the Exchange amend the Rules to require voting on all resolutions at general meetings to be by poll?

Yes

No

Question 12.2: If your answer to *Question 12.1* is “no”, should the Exchange amend the Rules to require voting on all resolutions at annual general meetings to be by poll (in addition to the current requirement for voting by poll on connected transactions, transactions that are subject to independent shareholders’ approval and transactions where an interested shareholder will be required to abstain from voting)?

Yes

No

Question 12.3: If your answer to *Question 12.1* is “no”, should the Exchange amend the Rules so that, where the resolution is decided in a manner other than a poll, the listed issuer would be required to make an announcement on the total number of proxy votes in respect of which proxy appointments have been validly made together with: (i) the number of votes exercisable by proxies appointed to vote for the resolution; (ii) the number of votes exercisable by proxies appointed to vote against the resolution; (iii) the number of votes exercisable by proxies appointed to abstain on the resolution; and (iv) the number of votes exercisable by proxies appointed to vote at the proxy’s discretion?

Yes

No

Question 12.4: In the case of listed issuers other than H-share issuers, the Rules currently require 14 days notice for the passing of an ordinary resolution and 21 days notice for the passing of a special resolution. 21 days notice is also required for convening an annual general meeting. In the case of H-share issuers, 45 days notice of shareholder meetings is required under the “Mandatory Provisions for Companies Listing Overseas” for all resolutions. Should the Exchange amend the Rules to provide for a minimum notice period of 28 clear calendar days for convening all general meetings?

- Yes
 No

If so, should the provision be set out in the Rules (as a mandatory requirement) or in the Code on Corporate Governance Practices as a Code Provision (and therefore subject to the “comply or explain” principle)?

Question 12.5: If your answer to *Question 12.4* is “no”, should the Exchange amend the Rules to provide for a minimum notice period of 28 clear calendar days for convening all annual general meetings, but not extraordinary general meetings (or, depending on the listed issuer’s place of incorporation, special general meetings)?

- Yes
 No

If the answer is “yes”, should the provision be set out in the Rules (as a mandatory requirement) or in the Code on Corporate Governance Practices as a Code Provision (and therefore subject to the “comply or explain” principle)?

Question 12.6: Do you have any other comments regarding regulation by the Exchange on the extent to which voting by poll should be made mandatory at general meetings or the minimum notice period required for convening shareholders meetings?

We disagree to lengthen the notice period to 28 days. From the perspective of the issuers, longer notice period will create more uncertainty and delay in completing the relevant corporate action. From the perspective of the investing public, 14 days should be long enough to consider the agenda and decide if he will attend in person or appoint proxy to attend in his stead.

Issue 13: Disclosure of information about and by directors

Question 13.1: Do you agree that the information set out in draft new Rule 13.51B should be expressly required to be disclosed by issuers up to and including the date of resignation of the director or supervisor, rather than only upon that person's appointment or re-designation?

- Yes
 No

Please provide reasons for your views.

The information in relation to any conviction for any offence may be considered threat to the interest of the shareholders and shall be highlighted to the attention of the shareholders.

Question 13.2: Do you agree that the relevant information should be discloseable immediately upon the issuer becoming aware of the information (i.e. continuously) rather than, for example, only in annual and interim reports?

- Yes
 No

Please provide reasons for your views.

But the particulars under 13.51(2)(a) to (g), i.e. "age", "positions with the issuer's group", "previous experience and qualifications", "length of services", etc. are not price-sensitive in nature or important information that would require immediate attention of the investors or shareholders. We consider that the continuous disclosing requirement be restricted to 13.51(2)(h) to (v) only.

Question 13.3: Do you agree that, to ensure that the issuer is made aware of the relevant information, a new obligation should be introduced requiring directors and supervisors to keep the issuer informed of relevant developments?

- Yes
 No

Please provide reasons for your views.

The director/supervisor himself shall have the primary obligation to keep the public alert of his relevant information.

Question 13.4: Do you agree that paragraphs (u) and (v) of Main Board Rule 13.51(2) and GEM Rule 17.50(2) should be amended to clarify that the disclosure referred to in those Rules need not be made if such disclosure would be prohibited by law?

- Yes
 No

Please provide reasons for your views.

As there are circumstances where such disclosure would be prohibited by law.

Question 13.5: Do you agree that the draft Rules at Appendix 13 will implement the proposals set out in *Questions 13.1, 13.2, 13.3 and 13.4* above?

- Yes
 No

Please provide reasons for your views.

Save for comments indicated above.

Question 13.6: Do you agree that the Rules should be amended to clarify that issuers should publicly disclose in the Appointment Announcements their directors', supervisors' and proposed directors' and supervisors' current and past (during the past three years) directorships in all public companies with securities listed in Hong Kong and/or overseas?

- Yes
 No

Please provide reasons for your views.

For better transparency.

Question 13.7: Do you agree that Main Board Rule 13.51(2)(c) and its GEM Rules equivalent, GEM Rule 17.50(2)(c), should be amended to clarify that issuers should publicly disclose their directors', supervisors' and proposed directors' and supervisors' professional qualifications?

- Yes
 No

Please provide reasons for your views.

For better transparency

Question 13.8: Do you agree that the draft Rules at Appendix 13 will implement the proposals set out in *Questions 13.6 and 13.7* above?

- Yes
 No

Please provide reasons for your views.

Question 13.9: Do you agree that Main Board Rule 13.51(2)(m)(ii) should be amended to include reference to the Ordinances referred to in GEM Rule 17.50(2)(m)(ii) that are not currently referred to in Main Board Rule 13.51(2)(m)(ii)?

- Yes
 No

Please provide reasons for your views.

Question 13.10: Do you agree that Main Board Rule 13.51(2)(m) and GEM Rule 17.50(2)(m) should be amended so as to put beyond doubt that the disclosure obligation arises where a conviction falls under any one (rather than all) of the three limbs (i.e. Main Board Rule 13.51(2)(m)(i), (ii) or (iii) and GEM Rule 17.50(2)(m)(i), (ii) or (iii))?

Yes

No

Please provide reasons for your views.

Question 13.11: Do you agree that the draft Rules at Appendix 13 will implement the proposal set out in *Questions 13.9 and 13.10* above?

Yes

No

Please provide reasons for your views.

Issue 14: Codification of waiver to property companies

Question 14.1: Do you agree that the Proposed Relief should provide relaxation of strict compliance with the shareholders' approval requirements of the Rules only to listed issuers that are actively engaged in property development as a principal business activity?

Yes

No

Please provide reasons for your views.

No comment on Issue 14.

Question 14.2: Do you agree with the proposed criteria in determining whether property development is a principal activity of a listed issuer (described at paragraphs 14.12 and 14.13 of the Combined Consultation Paper)?

- Yes
 No

Please provide reasons for your views.

Question 14.3: Do you agree that the scope of the Proposed Relief should be confined to acquisition of property assets that fall within the definition of Qualified Property Projects?

- Yes
 No

Please provide reasons for your views.

Are you aware of any examples of Hong Kong listed issuers encountering difficulties in strict compliance with the Rules when participating in other types of auctions or tenders? If yes, please specify what are the problems faced by the listed issuers in participating in these auctions or tenders.

Question 14.4: Do you agree that Qualified Property Projects which contain a portion of a capital element should qualify for relief from the notifiable transaction Rules set out in Main Board Chapter 14?

- Yes
 No

If yes, should the Proposed Relief specify a percentage threshold for the capital element within a project? Please provide reasons for your views.

Question 14.5: Do you agree that the scope of the exemption from strict compliance with Main Board Chapter 14A in relation to the shareholders' approval requirements for property joint ventures with connected persons should be limited to scenarios where the connected person is only connected by virtue of being a joint venture partner with the listed issuer in existing single purpose property projects?

Yes

No

Please provide reasons for your views.

Question 14.6: Do you agree that the General Property Acquisition Mandate is useful to confer protection on shareholders and is necessary as regards property joint ventures with connected persons where the connected person is only connected by virtue of being a joint venture partner with the listed issuer in existing single purpose property projects (Type B property joint ventures)?

Yes

No

If yes, should the General Property Acquisition Mandate include any limit on the size of the Annual Cap by reference to some quantifiable thresholds? Please provide reasons for your views.

Question 14.7: Are the disclosure obligations described at paragraph 14.51 of the Combined Consultation Paper appropriate?

Yes

No

Please provide reasons for your views.

Question 14.8: Do you agree that the draft Rule amendments at Appendix 14 will implement the proposals set out in Issue 14 of the Combined Consultation Paper?

- Yes
 No

Please provide reasons for your views.

Issue 15: Self-constructed fixed assets

Question 15.1: Do you agree that the notifiable transaction Rules should be amended to specifically exclude any construction of a fixed asset by a listed issuer for its own use in the ordinary and usual course of its business?

- Yes
 No

Please provide reasons for your views.

The management shall have the autonomy to manage the business.

Question 15.2: Do you agree that the draft Rules at Appendix 15 will implement the proposal set out in *Question 15.1* above?

- Yes
 No

Please provide reasons for your views.

Issue 16: Disclosure of information in takeovers

Question 16.1: Do you agree that the current practice of the Exchange, i.e. the granting of waivers to listed issuers to publish prescribed information of the target companies in situations such as hostile takeovers, should be codified in the Rules?

- Yes
 No

Please provide reasons for your views.

To give relief for the issuers in case of difficulty in getting the prescribed information.

Question 16.2: Do you agree the new draft Rule should extend to non-hostile takeovers where there is insufficient access to non-public information as well as hostile takeovers?

- Yes
 No

Please provide reasons for your views.

Same as above.

Question 16.3: Paragraph (3) of the new draft Rule proposes that the supplemental circular must be despatched to shareholders within 45 days of the earlier of the following:

- the listed issuer being able to gain access to the offeree company's books and records for the purpose of complying with the disclosure requirements in respect of the offeree company and the enlarged group under Rules 14.66 and 14.67 or 14.69; and
- the listed issuer being able to exercise control over the offeree company.

Do you agree that the 45-day time frame is an appropriate length of time?

- Yes
 No

Please provide reasons for your views.

Appears to be practicable.

Question 16.4: Do you have any other comments on the draft new Rule 14.67A at Appendix 16? Please provide reasons for your views.

Nil

Issue 17: Review of director's and supervisor's declaration and undertaking

Question 17.1: Do you agree that the respective forms of declaration and undertaking for directors and supervisors (i.e. the DU Forms) should be streamlined by deleting the questions relating to the directors' and supervisors' biographical details?

- Yes
 No

Please provide reasons for your views.

Less administrative work.

Question 17.2: Do you agree that the DU Forms for directors should be amended by removing the statutory declaration requirement?

- Yes
 No

Please provide reasons for your views.

Less administrative work.

Question 17.3: Do you agree that the GEM Rules should be amended to align with the practice of the Main Board Rules as regards the timing for the submission of DU Forms by GEM issuers, such that a GEM issuer would be required to lodge with the Exchange a signed DU Form of a director or supervisor after (as opposed to before) the appointment of such director or supervisor?

- Yes
 No

Please provide reasons for your views.

For consistency.

Question 17.4: Do you agree that the Rules should be amended such that the listing documents relating to new applicants for the listing of equity and debt securities must contain no less information about directors (and also supervisors and other members of the governing body, where relevant) than that required to be disclosed under Main Board Rule 13.51(2) or GEM 13.50(2), as the case may be?

- Yes
 No

Please provide reasons for your views.

For better transparency.

Question 17.5: Do you agree that the application procedures should be amended as discussed in paragraph 17.20 to harmonise with the proposed amendments for the purpose of streamlining the respective DU Forms?

- Yes
 No

Please provide reasons for your views.

Question 17.6: Do you agree that the draft Rules at Appendix 17 will implement the proposals set out in Issue 17 of the Combined Consultation Paper?

- Yes
 No

Please provide reasons for your views.

Question 17.7: Do you agree that a new Rule should be introduced to grant to the Exchange express general powers to gather information from directors?

- Yes
 No

Question 17.8: Do you agree that the draft paragraph (c) to the Director's Undertaking at Appendix 17 will implement the proposal set out in *Question 17.7* above?

- Yes
 No

Question 17.9: Do you agree that paragraph (e) of Part 2, Appendix 5B, and paragraph (d) of Part 2, Appendix 5H, of the Main Board Rules should be amended to include detailed provisions for service similar to those of the GEM Rules?

- Yes
 No

Question 17.10: Do you agree that the proposed amendment to paragraph (e) of the Director's Undertaking at Appendix 17 will implement the proposal set out in *Question 17.9* above?

- Yes
 No

Question 17.11: Do you agree that the Rules should be amended to make express the ability to change the terms of the Director's Undertaking without the need for every director to re-execute his undertaking?

- Yes
 No

Issue 18: Review of Model Code for Securities Transactions by Directors of Listed Issuers

Question 18.1: Do you agree with the proposed new exceptions to paragraph 7(d) of the Model Code?

- Yes
 No

Please provide reasons for your views.

Question 18.2: Do you agree with the proposal to clarify the meaning of “price sensitive information” in the context of the Model Code?

- Yes
 No

Question 18.3: Do you agree that the draft new Note to Rule A.1 of the Code would implement the proposal set out in *Question 18.2* above??

- Yes
 No

Please provide reasons for your views.

Question 18.4: Do you agree that the current “black out” periods should be extended to commence from the listed issuer’s year/period end date and end on the date the listed issuer publishes the relevant results announcement?

- Yes
 No

Please provide reasons for your views.

There is no need to extend the current “black-out” period. The existing rule in A.1 of the Model Code already stipulates that as long as a director is in possession of unpublished price-sensitive information, he is prohibited from dealing in the shares.

Question 18.5: Do you agree that there should be a time limit for an issuer to respond to a request for clearance to deal and a time limit for dealing to take place once clearance is given?

Yes

No

Question 18.6: Do you agree that the proposed time limit of 5 business days in each case is appropriate?

Yes

No

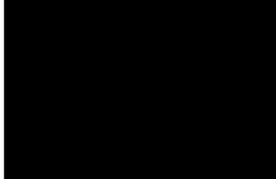
Please provide reasons for your views.

Appears to be practicable.

Minor Rule amendments

The Exchange invites your comments regarding whether the manner in which the proposed minor Rule amendments set out in Appendix 19 have been drafted will give rise to any ambiguities or unintended consequences.

Do you have any other comments in respect of the issues discussed in the Combined Consultation Paper? If so, please set out your additional comments.

Name	:	<u>Hester WONG</u>	Title	:	<u>Company Secretary</u>
Company Name	:	<u>Sun Hung Kai & Co. Limited</u>	Firm ID	:	
Contact Person	:	<u>Hester WONG (Company Secretary) Janese CHAN (Assistant Company Secretary)</u>	Tel. No.	:	
E-mail Address	:		Fax No.	:	