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27 October 2014

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Dear Sirs

Consultation Paper on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments

The Hong Kong Institute of Directors (“HKIoD”) is pleased to forward our response to the captioned paper.

HKIoD is Hong Kong’s premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. We are committed to contributing towards the formulation of public policies that are conducive to the advancement of Hong Kong’s international status.

In developing the response, we have consulted our members and organised focused discussions.

Should you require further information regarding our response, please do not hesitate to contact me on tel no. [REDACTED]

With best regards

Yours sincerely

The Hong Kong Institute of Directors

Issued on: 27 October 2014

Consultation Paper on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments (August 2014)

In relation to the captioned Consultation Paper, the Hong Kong Institute of Directors wishes to present the following views and comments.

* * *

General comments

We have considered the proposals for Rule amendments relating to the disclosure of financial information (Chapters I through III in the Consultation Paper) and for Rule amendments unrelated to the disclosure of financial information (Chapters IV through VI), and we provide our comments below.

RELATING TO THE DISCLOSURE OF FINANCIAL INFORMATION:

To align requirements with reference to the New Companies Ordinance

Disclosures required under paragraph 28 of Main Board Rules Appendix 16 (Consultation Paper para 34-73)

We support the proposal to update the Rules in the manner more particularly described in Consultation Paper para 70-73. We understand a major reason for many of the Rule amendments in this consultation exercise is to bring the Rules relating to the disclosure of financial information into better alignment with the requirements under the New Companies Ordinance and subsidiary legislations.

Rule to apply to all issuers, whether or not incorporated in Hong Kong

(Question 1)

We agree. We do not see a reason to depart from the principle that an issuer, whether or not it is incorporated in Hong Kong, should include disclosures required by the Companies Ordinance currently in force.

To streamline disclosure requirements of financial information with reference to HKFRS

(Question 2)

We agree with the proposal to streamline disclosure requirements of financial information to avoid duplication with accounting standards. As noted in the Consultation Paper, considerable requirements pertaining to disclosure of financial information are already covered in HKFRS (para 74-76). These accounting standards may be updated from time to time, but since the New Companies Ordinance gives statutory recognition or backing to HKFRS (para 20 and 76), the disclosure requirements of financial information in the Listing Rules can be streamlined to avoid duplication.

We understand that there will be minor Rule amendments to Main Board Rules Chapter 1 “Interpretation” to align the accounting terms used in the Listing Rules with the current accounting standards. (Consultation Paper para 80.)

Financial conglomerates

(Question 3)

We agree with the proposed repeal of the disclosure requirements in relation to financial conglomerates. As noted in Consultation Paper para 81-83, there have been substantial developments in accounting standards that would displace the need to stipulate detailed rules in the Listing Rules.

Bank reporting

(Question 4)

We agree with the proposed repeal of the disclosure requirements in relation to bank reporting. As noted in Consultation Paper para 87, the existing provisions in the Rules are dated, but all currently required disclosure items are already covered by accounting standards.

Other financial information disclosure related proposed Rule amendments

Revision of financial statements

(Question 5)

We agree with the proposal to require an issuer to publish an announcement as soon as practicable after the directors decide to revise the financial statements, to state the fact and reasons leading to the revision and the anticipated impact of such revision. We believe a new headline category to specifically flag revisions of financial statements is appropriate. Current information is essential for shareholders and investors to appraise the financial position of the issuer.

Prior period adjustments

(Question 6)

We agree with the proposal to require disclosure in result announcements where an issuer has made a prior period adjustment to correct a material error. We believe a new headline category to specifically flag prior period adjustment is appropriate. Current information is essential for shareholders and investors to appraise the financial position of the issuer. We note that a prior period adjustment so made due to the adoption of a new accounting standard is not required to be flagged under the proposed new headline category.

To provide references to disclosure requirements relating to periodic financial reports

(Question 7)

We agree with the proposal to provide references to disclosure requirements relating to periodic financial reports (annual reports and interim reports) currently required in other parts of the Listing Rules.

UNRELATED TO DISCLOSURE OF FINANCIAL INFORMATION:

Rule amendments consequential to the enactment of the New Companies Ordinance

Aligning notice periods for general meetings

(Question 8 and 9)

We agree with the proposal to align the notice periods for general meetings required for Bermuda and Cayman Islands incorporated companies with the relevant requirements under the New Companies Ordinance.

We agree with the proposal to allow companies incorporated in Bermuda and Cayman Islands to convene general meetings on shorter notice on the same term as companies incorporated in Hong Kong, in accordance with the relevant provisions of the New Companies Ordinance. If Bermuda and Cayman Islands companies are subjected to the Rules

in the same manner as Hong Kong incorporate issuers, they should enjoy the same benefits unless there is an overwhelming reason otherwise.

Nominal (par) value

(Consultation Paper para 118-120)

We support amendments to replace “nominal value” or “issued share capital” with the number of or voting rights attached to issued shares. As noted in Consultation Paper para 118, the concept of “nominal value”(or par value) has been abolished for Hong Kong incorporated issuers, but some issuers incorporated in other jurisdictions may still be required to have a nominal value ascribed to their shares.

Aligning requirement regarding company seal

(Consultation Paper para 121-124)

We support amendments to accommodate the situation when an issuer is not required to and does not have company seal. As noted in Consultation Paper para 122, it is now optional for Hong Kong incorporated issuers to have company seals. Issuers from other jurisdictions may also not be required to have company seals. Consistent with the approach adopted in other Rules, the essence is whether instruments have been executed under signature of appropriate officials with statutory authority and done in a manner meeting applicable requirements of the New Companies Ordinance.

Removing reference to share warrants to bearer issued by Hong Kong incorporated issuers

(Consultation Paper para 125-127)

We support this change. As noted in Consultation Paper para 126, the New Companies Ordinance has removed the ability of Hong Kong incorporated issuers to issue share warrants to bearer.

Removing reference to memorandum of Hong Kong incorporated issuers

(Consultation Paper para 128-130)

We support this change. As noted in Consultation Paper para 129, the New Companies Ordinance has abolished the requirement for Hong Kong incorporated issuers to have a memorandum.

Amending definition of holding company

(Consultation Paper para 131-134)

We support amendments along the lines described in Consultation Paper para 134.

Aligning threshold value of securities represented by lost share certificates

(Consultation Paper para 135-137)

We support amendments along the lines described in Consultation Paper para 137.

Minor rule amendments which involve change in policy direction

Disclosure of dividend payment date

(Question 10)

We agree with the proposal to require issuers to announce the expected payment dates for their dividends or other distributions as described in Consultation Paper para 143. Issuers must also be required to update shareholders if there is any change. We believe shareholders and investors should be given such information as soon as possible.

***Property valuation in connected transactions
(Question 11)***

We agree with the proposal to clarify that a property valuation is required for the circular of any connected transaction that involves an acquisition or disposal of any property interest or property company. We believe the change is essential for the Connected Transaction Rules to serve their purpose.

***Disclose information about competing interests of directors of issuer's subsidiaries and their close associates in transaction circulars
(Question 12)***

We agree with the proposal to remove the requirement to disclose information about competing interests of directors of the issuer's subsidiaries and their close associates in transaction circulars.

***Delay in publication of financial results announcement
(Question 13)***

We agree with the proposal to require trading suspension for issuers that fail to publish their financial results announcements as described in Consultation Paper para 153. Timely release of financial information is essential for shareholders and investors to appraise the financial position of the issuer.

***Housekeeping rule amendments which involve no change in policy direction
Amendment to outdated reference to Takeovers Code
(Consultation Paper para 156-158)***

We support the change.

***Removing references to telex
(Consultation Paper para 159-162)***

We support the change to require service of process agents for overseas issuers and Mainland issuers to provide their contact emails instead of a telex.

We support the change to remove reference to telex (and address, telephone and facsimile numbers) of the Listing Division in Practice Note 1.

***Clarification regarding applicability of Appendix 3 to new applicants
(Consultation Paper para 163-166)***

We support the change.

***Periodic update after trading suspension
(Consultation Paper para 167-168)***

We support the change to require issuers to publish periodic announcements of its development after trading of its securities has been suspended. Timely update of progress is essential for shareholders and investors to assess the issuer's progress towards meeting the resumption conditions.

A note about Main Board Rules versus GEM Rules

We understand the Exchange will make equivalent amendments to the GEM Rules (to the extent GEM Rules exist.)

A note about updating cross references
(Consultation Paper para 22-23 and 116)

We understand that there will be consequential amendments (some of them not discussed in the Consultation Paper) to update cross-references (contained in Main Board Rules Appendix 16 or elsewhere) to the New Companies Ordinance or to the Companies Ordinance Winding up and Miscellaneous Provisions) where appropriate.

* * *

Responses to consultation questions

Subject to our general comments above, we state our responses to specific questions as set out in the Consultation Paper as follows:-

To align requirements with reference to the New Companies Ordinance
Disclosures required under paragraph 28 of Main Board Rules Appendix 16
Rule to apply to all issuers, whether or not incorporated in Hong Kong

Question 1: Do you agree that all issuers (whether or not they are incorporated in Hong Kong) should include disclosures under the provisions of the New Ordinance which reflect alignment of those provisions of the Predecessor Ordinance captured in Main Board Rules Appendix 16 and GEM Rules equivalent as set out in paragraphs 70 to 73 of this paper?

HKIoD Response:

- AGREE
- See our general comments

To streamline disclosure requirements of financial information with reference to HKFRS

Question 2: Do you agree with the proposed revision of Main Board Rules Chapter 4 and Appendix 16 and GEM Rules equivalent in order to streamline the Listing Rules and to avoid potential duplications with the accounting standards?

HKIoD Response:

- AGREE
- See our general comments

Financial conglomerates

Question 3: Do you agree with the proposed repeal of the disclosure requirements in relation to financial conglomerates in Main Board Rules Chapter 4 and Appendix 16 and GEM Rules equivalent?

HKIoD Response:

- AGREE
- See our general comments

Bank reporting

Question 4: Do you agree with the proposed repeal of Main Board Rules Appendix 15 and GEM Rules equivalent in relation to bank reporting?

HKIoD Response:

- AGREE
- See our general comments

Other financial information disclosure related rule proposed amendments

Revision of financial statements

Question 5: Do you agree with the proposed Rule amendments to require an issuer to publish an announcement as soon as practicable after the directors decide to revise the published financial statements and the reason leading to the revision of the financial statements?

HKIoD Response:

- AGREE
- See our general comments

Prior period adjustments

Question 6: Do you agree with the proposed Rule amendments to require disclosure in results announcements where an issuer has made a prior period adjustment to correct a material error?

HKIoD Response:

- AGREE
- See our general comments

To provide references to disclosure requirements relating to periodic financial reports

Question 7 Do you agree with the proposed Rule amendments to Main Board Rules Appendix 16 and GEM Rules equivalent to provide references to disclosure requirements relating to periodic financial reports currently required in other parts of the Listing Rules?

HKIoD Response:

- AGREE
- See our general comments

Rule amendments consequential to the enactment of the New Companies Ordinance

Aligning notice periods for general meetings

Question 8: Do you agree that the Listing Rules should be amended to align the notice period requirements for companies incorporated in Bermuda and the Cayman Islands with the relevant requirements under the New Ordinance?

HKIoD Response:

- AGREE
- See our general comments

Question 9: Do you support the proposal to allow companies incorporated in Bermuda and the Cayman Islands to convene general meetings on shorter notice on the same terms as companies incorporated in Hong Kong (i.e. in accordance with the relevant provisions of the New Ordinance)?

HKIoD Response:

- AGREE
- See our general comments

Minor rule amendments which involve change in policy direction

Disclosure of dividend payment date

Question 10: Do you agree with the proposal to amend Main Board Rule 13.45(1) and GEM Rules equivalent to require issuers to announce the expected payment dates for their dividends or other distributions as described in paragraph 143 of this paper?

HKIoD Response:

- AGREE
- See our general comments

Property valuation for connected transactions

Question 11: Do you agree with the proposal to amend Main Board Rule 5.03 and GEM Rules equivalent to clarify that a property valuation is required for the circular of any connected transaction that involves an acquisition or disposal of any property interest or property company?

HKIoD Response:

- AGREE
- See our general comments

Disclose information about competing interests of directors of issuer's subsidiaries and their close associates in transaction circulars

Question 12: Do you agree with the proposal to amend Main Board Rules 14.66(8) and 14A.70(15) and GEM Rules equivalent to remove the requirement to disclose information about competing interests of directors of the issuer's subsidiaries and their close associates in transaction circulars?

HKIoD Response:

- AGREE
- See our general comments

Delay in publication of financial results announcement

Question 13: Do you agree with the proposal to amend the GEM Rules to include a new GEM Rule 17.49A to require trading suspension for issuers that fail to publish their financial results announcements as described in paragraph 153 of this paper?

HKIoD Response:

- AGREE
- See our general comments

<END>