

HKE_x LISTING DECISION

Cite as HKE_x-LD21-1 (January 2001) (**Updated for rule reference Updated in September 2009 and July 2014**)

Summary	
Name of Party	Company A - a listed company
Subject	Whether independent expert's opinion in connected transaction could be waived
Listing Rule	Rule 14A.4514.30(7) <i>[now Rule 14A.59(8)]</i>
Decision	Independent expert's opinion required

Summary of Facts

Company A entered into a connected transaction requiring independent shareholders' approval. It was therefore required, pursuant to Rule ~~14A.4514.30(7)~~ of the Listing Rules *[now Rule 14A.59(8)]*, to issue a circular to shareholders containing, among other things, an opinion by an independent expert as to whether the transaction was fair and reasonable so far as the shareholders were concerned.

As no connected person (with a shareholding in Company A) was interested in the transaction, nobody needed to abstain from voting at the general meeting to be convened to obtain independent shareholders' approval for the transaction as required under Rule ~~14A.3614.26~~ *[now Rule 14A.18]*.

Company A enquired as to whether, given the fact that there were no "independent" shareholders as such, the Exchange would be prepared to waive the requirement for an independent expert's opinion under Rule ~~14A.4514.30(7)~~ *[now Rule 14A.59(8)]*.

Analysis

The reason for requiring certain connected transactions to be made subject to independent shareholders' approval is that such transactions can, if unmonitored, potentially confer substantial benefits on certain categories of individuals at the expense of the company and its shareholders as a whole. Independent shareholder's approval is therefore needed as a safeguard.

The purpose of the independent expert's opinion is to assist the independent shareholders in deciding how to vote. The fact that no shareholder needs to abstain from voting does not detract from its value.

Decision

Company A was required to appoint an independent expert's opinion pursuant to Rule ~~14A.4514.30(7)~~ *[now Rule 14A.59(8)]*.