



The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

Our Ref: CRO20130423-009

26 April 2013

To: Main Board Listed Issuers (Attn: Authorised Representatives)
GEM Listed Issuers (Attn: Authorised Representatives)
Market Practitioners

Dear Sirs

Consultation Papers on Review of Connected Transaction Rules and Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules

We have published today consultation papers to seek views on:

- proposed changes to the Rules on connected transactions; and
- proposed changes to align the definitions of connected person and associate in the Rules.

Consultation Paper on Review of Connected Transaction Rules

The main consultation paper reviews the Exchange's current model for regulating connected transactions conducted by Hong Kong listed issuers and the regulation of related party transactions in other jurisdictions. It seeks market views on a number of proposals to simplify the connected transaction Rules and address anomalies, including:

- Simplifying the language of the Rules by replacing the current Main Board Chapter 14A / Chapter 20 of Growth Enterprise Market (GEM) Rules with the "Guide on Connected Transaction Rules" issued in April 2012;
- Introducing further exemptions for connected persons at the subsidiary level;
- Refining the definition of connected person to exclude certain persons who are unlikely to control or exert significant influence over the issuer;
- Clarifying that the deeming provision will cover a shadow director or de facto controlling shareholder of the issuer and any person who is accustomed to acting according to a connected person's directions or instructions;
- Excluding from the connected transaction Rules certain transactions involving the issuer group buying or selling interests in target companies from or to third parties where the risk of abuse by the controller(s) is limited;
- Removing the one per cent cap on transaction value which is now a condition for exempting the provision or receipt of consumer goods or services from the connected transaction Rules;
- Introducing exemptions for provision of indemnities to directors against liabilities incurred in the course of performing their duties;
- Revising the requirements for transfer, non-exercise or termination of options;
- Making minor amendments to the regulatory framework for continuing connected transactions; and
- Clarifying the requirements relating to independent board committees' opinion on connected transactions.

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Consultation Paper on Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules

The second consultation paper reviews the Listing Rules that use the general definitions of “connected person” and “associate” in Chapter 1. The paper highlights the differences of the Chapter 1 definitions and those used in Main Board Chapter 14A / GEM Chapter 20 for the purpose of the connected transaction requirements. It seeks market views on the proposals to:

- Align the meanings of connected person and associate in certain parts of the Rules with those used in Main Board Chapter 14A / GEM Chapter 20; and
- Revise the definitions in Chapter 1 to distinguish them from those used in Main Board Chapter 14A / GEM Chapter 20.

The consultation papers and the questionnaires are available on the HKEx website:

Subject	Hyperlink
Review of Connected Transaction Rules	Consultation Paper: http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201304.pdf Questionnaire: http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201304q.doc
Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules	Consultation Paper: http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2013042.pdf Questionnaire: http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2013042q.doc

We invite written comments on the issues and proposals discussed in the papers. The consultation will close on 26 June 2013.

If you have any questions on the above, please contact our case officers.

Yours faithfully
 For and on behalf of
 The Stock Exchange of Hong Kong Limited

[Signed]

David Graham
 Chief Regulatory Officer and Head of Listing