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To Corporate Finance Division
Securities and Futures Commission

Fax 2810 5385

To Corporate Communications Department
Hong Kong Exchanges and Clearing Limited

Fax 2524 0149

Dear Sirs

Joint Consultation Paper on the proposal to allow a CO offeror to issue a CO paper application form for shares in or debentures of a company to be listed on SEHK, and a CIS offeror to supply a CIS paper application form for interests in a SFC-authorized CIS to be listed on SEHK, with a listing document displayed on certain websites

I am writing to give this firm's comments on the consultation paper detailed above. We have restricted our comments to the specific questions raised in the consultation paper:

Q1: Do you agree with the Proposal? If not, please explain your reasons for disagreement

In general, we support the proposal.

Q2: Do you agree:

(a) that adequate disclosure can be regarded as having been made if an announcement the contents of which are as set out in paragraph 35 is published by a CO offeror?

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(b) with the timetable on and the frequency and method of making such disclosures

Yes, we agree.

Q3A: Do you agree that copies of the paper prospectus should be made available for collection through the offer period, free of charge, upon request by any member of the public? If not, please provide suggestions on how to assure that these prospective investors who do not have access to the internet and those who face technological limitations can obtain copies of the paper prospectus before submitting an application.

We believe for the protection of investors, it is necessary for copies of the paper prospectus to be made available for collection during the offer period free of charge. Despite Hong Kong's relatively high household penetration rate for computers with internet access and the availability of computers free of charge in public buildings such as libraries, there is still not guaranteed access for investors. Furthermore, the logistical difficulty and cost of printing such a large document is too great a barrier for potential investors, to the assimilation and retention of the information contained in the prospectus.

Q3B: Do you agree with the locations at which copies of the paper prospectus should be made available?

The locations suggested seem sensible. From the point of view of the investing public, it would be reassuring if a minimum number of distribution points was specified in the relevant rules and regulations. Alternatively, the relevant distribution points should be subject to HKEx approval.

Q4: Do you agree that ready accessibility to, and the ability to download by the public free of charge, the e-prospectus on and from the company's website and the HKEx website, together with availability of copies of the paper prospectus for collection at specified locations, also free of charge, upon request by any member of the public as discussed in paragraph 38 to 42, are sufficient for access purposes by prospective investors?

We agree that these arrangements are sufficient. Naturally, the access arrangements will need to address the risk of making an inadvertent offer outside of Hong Kong.

Q5: Do you anticipate any problems with the requirement to provide a written confirmation to SEHK, prior to the commencement of the offer period, that the typeface, format and contents of the e-prospectus are identical to those of the paper prospectus except to the extent that any differences are permitted or required by SEHK? If so, please explain what these may be.

We do not anticipate any problems with this requirement.

Q6: Do you agree that an e-prospectus should contain in a prominent place on the face of it the statements and information discussed in paragraph 50? Should any other statement and/or information be included on the face of the e-prospectus to ensure genuine access?

Other than noting the practical difficulties associated with the quantity of information required to be included on the face of the prospectus, we support the suggestions in paragraph 50.

Q7: Do you anticipate any systemic and/or logistical problems with the requirement to publish revised CO paper application forms in the event an addendum or a replacement prospectus is issued? If so, please explain what these may be.

We foresee quite significant difficulties with issuing a replacement set of application forms. These range from difficulties with communicating to investors the need to collect a second set of application forms, to the negative effect on the take-up of the offer due to investors' failure to submit the correct forms, to the more technical difficulty of whether to accept "old" forms submitted prior to the issue of the addendum or supplementary prospectus.

Some issuers currently address the latter point by including in the terms & conditions of the offer, a statement that if any addendum or supplement is issued, applicants who have already submitted an application will be informed in the addendum or supplement whether they may or may not withdraw their applications. As a general rule, withdrawal is permitted if the addendum or supplement contains

material new information. Otherwise, an application once made is irrevocable and applicants will be deemed to have applied on the basis of the prospectus as amended or supplemented.

Whilst this mechanism is capable of working on a mixed media offer, it does not overcome the more practical difficulties associated with distributing new application forms. We would therefore prefer that the issue was dealt with by appropriate statements on the original application forms, dealing with the eventuality of a supplementary prospectus being issued.

- Q8 Do you agree with the proposal being implemented in the manner described in paragraphs 55 and 56 in respect of a CIS offeror making a public offer of interests in an SFC-authorized listed CIS using the Mixed Media Approach? If not, please explain what your views are and suggest alternative manner(s) in which the Proposal may be implemented for such purposes.

We agree with the proposal being implemented in the manner described.

- Q9: Do you agree that each of the aforementioned Exchange Listing Rules should be amended in the manner described above? Should any other Exchange Listing Rules be amended in light of the Proposal?

We do not believe this is necessary, although we have not reviewed the Rules in detail to check.

- Q10A: What are your views on the requirements to:

- (a) suspend a Mixed Media Offer in the event the public cannot download the electronic listing document from both (i) the HKEx website and (ii) the company's website or the CIS offeror's website, as the case may be; and
- (b) promptly notify prospective investors of a CO offeror's or CIS offeror's suspension of a Mixed Media Offer?

In response to (a), we agree that it will be necessary to suspend the offer if the electronic prospectus is not accessible on either the HKEx or the issuer's website for a prolonged period.

In response to (b), we believe that the suggested arrangements are adequate.

- Q10B: Do you agree that continuous inaccessibility of an electronic listing document for downloading from the aforementioned websites for at least 4 consecutive hours constitutes a prolonged failure warranting suspension of a Mixed Media Offer? If not, please specify a period of time which should have lapsed when an electronic listing document cannot be downloaded from such websites before a Mixed Media Offer should be required to be suspended and your reasons therefore.

We are of the view that 4 hours is too short a period in the context of most offers. This needs to be viewed in the context of current arrangements for distribution of hard copy prospectuses, which are only available within normal banking hours. We would suggest 6 hours as being a more appropriate period. However, we are aware that system failure during certain times (for example, during the morning before application lists close) will be potentially more damaging to investors than at other times (for example, during night-time hours).

- Q11: Do you agree with our approach on how the Guidelines should be interpreted following implementation of the Proposal? If not, please explain what your views are.

We agree, in broad terms, with the suggestions made.

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Q12: Do you consider it appropriate to give sponsors the flexibility to determine the manner in which they fulfil their responsibilities under the CFA Code of Conduct in light of the Proposal?

We agree that it is preferable to give sponsors flexibility.

Yours faithfully