Question	Response
1.1	Agree. The proposal is environmentally sound and does not impact negatively on the level of disclosure to shareholders.
1.2	Agree. The deeming provision is a sensible consequence of the proposal in 1.1.
1.3	Agree. This is consistent with international practice.
1.4	Agree. People should not have to reconfirm their position more frequently than every 12 months.
1.5	Agree. Receiving a CD ROM should be treated the same as any other form of hard copy document and, as with 1.3 above, hard copies should only be sent to people who have stated this is what they want.
1.6	Disagree. The rule changes would need adapting to implement our suggestion above.
2.1	Disagree. We have significant concerns at the SEHK's proposed general information gathering power. First, tying this to where the SEHK considers this would "protect investors or ensure the smooth operation of the market" is much too general – the power should relate only to determining whether the Listing Rules have been complied with and any request should specifically identify what issue/which rule(s) are being looked at. Not least, this is necessary in order to guard against responses which might be self-incriminating. Explanation should also be provided to the market, before any proposal is adopted, as to how any information provided in response to such enquiries will inter-relate with the SEHK's enforcement powers, the role and powers of the SFC and the operation of the dual-filing requirements, and the checks and balances that are meant to exist in relation to these. Secondly, the time allowed for responses needs to be realistic. It is unclear as to whether "as soon as possible" is intended to impose a higher or lower standard than "promptly" as used in Rule 13.10. In any event, it should also be explicitly stated that the time permitted will have regard to the nature of the information requested. In this regard, it is to be observed that on occasion the time periods set out in information requests from the SEHK are at times almost impracticably tight.
2.2	Disagree. In addition to amending the drafting to address the issues we have raised in 2.1 above, the drafting of Rule 2.12A(1) should be amended to insert "reasonably" before the word "considers" – this would make it consistent with the drafting of Rule 2.12(2), and having such a caveat is in any event a more appropriate requirement.
3.1 and 3.2	Disagree. The requirement for a qualified accountant is of significant assistance in enforcing good corporate governance, and provides far greater practical assurance of this than codes of practice ever will. Also, in light of the ever more onerous expectations that the SEHK has of the role of a sponsor in confirming that a company's systems are adequate,

	removing a specific provision that reinforces the quality of senior management is unhelpful. However, for practical reasons, we would suggest that for dual listed companies a person should be treated as appropriately qualified if they are an accountant who is certified by an accounting body recognized for the purpose by the Exchange
4.1	Disagree. It is wholly impracticable to require independence from when a sponsor "commences work" as it is extremely unlikely that a specific date will be capable of identification, and does not reflect the simple reality that many transactions evolve from different conversations that may take place over very extended periods of time – sometimes measurable in years. The only practicable time to use would be the filing of the A1. Secondly, there is no basis for requiring the sponsor to be independent through the stabilization period, as the duties of a sponsor will have ended at the time of listing. Also, what is it intended should happen if a sponsor ceases to be independent after the listing - a circumstance which could happen for reasons outside the day to day control of the sponsor? More fundamentally, in our respectful view the situations in which a sponsor is not considered independent have become so wide that they have lost touch with the legitimate concerns. As a specific example, the fact that a member of an international financial services group provides trustee services – with all attendant fiduciary duties – to a substantial shareholder should not render a group incapable of being an independent sponsor. The effect of the current rules is that with increasing frequency smaller boutique houses are being brought in to transactions in order for the requirement of an independent sponsor to be met – however we do not believe that this has in any way increased the objectivity brought to transactions or the overall quality of execution. Further, if this trend continues, the logical conclusion might even be for larger institutions to act only as distributors of stock and with the roles of regulatory sponsors being performed only by boutique houses specializing in this work – but is that really the way the Exchange wishes to push the market? We would propose instead that the situations where a sponsor is deemed not to be independent (irrespective of the reality of the situation and ignoring the robustness of the Chinese walls that exist in any properly run organization) should be limited to where the institution has a direct equity stake in, or significant (in the context of the relevant sponsor) financial exposure to, the issuer – in other words the provisions of Rule 3A.07 (9) in particular should be removed, and the other bright-line tests should be confined to those in Rule 3A.07 (1) and (6).
4.2	The rule changes should be adapted to address the concerns raised above.
5.1 and 5.2	Agree. Adapting the minimum public float requirements in the case of larger capitalization companies, and in the manner envisaged, is

	desireable.
5.3	The rules should be amended to allow a company that has attained a size which is significantly greater than it was at the time of its listing to apply to have its public float requirement reduced if it wishes so that it is under obligations that are no more onerous in this regard than would be allowed if it was a new listing applicant. Equally for companies whose market capitalisations fall significantly below those that justified waivers from minimum float requirements, consideration might be given to requiring them to increase the sizes of their floats – although it must be observed that if the reduced capitalisation reflects a decline in the business, it may make no sense to require additional capital to be raised and it would be unjustifiable to force existing shareholders to have to divest ownership interests.
5.4	Disagree. A party should not be excluded from the public float if it has a 5% shareholding as it is not uncommon for parties to have interests up to but below the level at which the extensive and onerous provisions relating to connected transactions would apply. The proposed change would result in many companies ceasing to have required floats and with little or no ability to do anything to prevent breaches occurring. It should also be remembered that the 5% disclosure threshold was introduced comparatively recently to bring HK more in line with the most sophisticated and heavily regulated markets in other parts of the world – this disclosure level should not subsequently become the benchmark for other provisions in the Listing Rules in a way which was not envisaged at the time the initial change was made and justified.
5.5	N/A
5.6	There is no need to regulate the market float separately from the public float, and to do so would make the level of regulation unduly burdensome. In addition, there would be the unavoidable lacuna that the rule could be wholly avoided by simply reducing the lock up to 1 day less than 6 calendar months. Further, it should be borne in mind that the lock-up is there to protect the company from the disruption to the after-market that would be caused by potentially large numbers of shares being sold-down by investors during the initial period after an IPO – imposing the proposed rule would encourage shorter lock-ups notwithstanding that from a commercial perspective the company and other investors would be better protected by a longer lock-up.
5.7	N/A
6.1	Agree. There should be no minimum spread of shareholders required for a bonus issue.
6.2	We do not consider that the exemption should be disapplied if there is a concentration in share ownership. A bonus issue is a legitimate step a company might wish to take to increase its liquidity and, in fact, “fix” the issue of concentrated ownership.

6.3	The rule changes should be adapted to address the concerns raised above.
7.1	Agree. The Exchange should move from a pre-vetting to a post-vetting stance.
7.2	Our only point on transition arrangements is that there will be a very great need for the Exchange to be ready to provide definitive and timely answers to enquiries regarding its views on the contents of announcements.
7.3	We support the specific proposals on pre-vetting on Memoranda & Articles of Association, and on explanatory statements for share repurchases.
7.4	Agree. With pre-vetting of the categories of documents proposed as this minimizes the chances of honest differences between the views of the Exchange and issuers as to contents becoming seriously problematic.
7.5	Agree that it would be preferable to dispense with notifiable transaction circulars. It is important though that the procedures for announcements of expert reports are practical – in particular that these can be posted on websites only and not have to be published in newspapers as this would be prohibitively expensive.
7.6	No comments on the minor rule amendments, other than that in the case of Takeover announcements the Exchange's role should be confined to commenting on compliance with specific rule requirements and not, as sometimes is the case, general disclosure issues which the SFC (the primary regulator of Takeovers) has not thought necessary to raise.
7.7	Minor drafting comments attached.
8.1 – 8.12	We generally agree with the enhanced disclosures proposed on changes in issued share capital. However, we think the 9 a.m. next day deadline that would apply in some cases is too tight – there is no compelling reason why disclosures should be required on a more timely basis than the time allowed for disclosures of dealings under pt XV of the SFO. Similarly, the requirement to disclose the grant of share options should follow the timelines for dealings under the SFO and not be subject to an "as soon as possible" obligation.
9.1	Agree with the proposed additional disclosure requirements on other categories of issues of securities.
9.2	No comment on the drafting.
9.3	We think disclosure of the basis of allocation of excess shares would be unduly burdensome and would not provide particularly insightful disclosure.
10.1	The material dilution provisions should not apply in addition to the notifiable transaction requirements – it is unnecessary and unduly burdensome to regulate the same matter in two ways.
10.2	Agree that any alignment should be with the requirements of Chapter 14 as this provides the principle measure of the materiality of transactions.

	However, the idea behind note 2 to Rule 13.36 should be maintained – if the subsidiary itself is listed then the transaction should not be subject to approval by a listed parent, otherwise the best interests of the minority shareholders in the subsidiary may be subjugated to the personal interests of the parent company, and potentially even to the views of the minority shareholders in that parent company if the parent itself needs shareholder approval.
10.3	The provision allowing a written shareholder approval should not be removed where a qualification is made in any accountants' report (note to Rule 14.67(4)(a)(i)). The problem with this is that any accountants' report will only become available long after, in particular, a placing of shares has been completed and when the deal cannot be unwound. Further, where the result of any vote would be a foregone conclusion, there is simply no benefit in forcing a vote nevertheless to have to be taken.
11.1	It is very important that the rules allowing 20% general issue mandates should not be changed. To do so would make the Hong Kong market significantly less attractive to issuers than its regional competitors. Reducing the mandate would also make fundraising much more expensive for issuers, and expose them to much greater market risk (as regards this latter point it is very important to remember that Hong Kong is an emerging market, unlike markets such as the UK and the US, and consequently needs to offer more flexibility in its fund raising options in order to reflect the more dynamic fundamentals of operating in such a market). If shareholders do not agree with the mandate then they have the ability simply not to approve it – and as controlling shareholders are equally affected by issuances under the mandate as minority shareholders it is inherently fair that the views of the majority should be respected. Further protection for shareholders is also applied through the need for directors to act in accordance with their fiduciary duties when deciding whether, and if so how, to raise capital.
11.2	N/A
11.3	Repurchased shares should continue to be included within the general mandate calculation of shares that can be issued.
11.4(a)	The current restriction on not placing shares at more than a 20% discount under the general mandate should continue to apply to all issuances.
11.4(b)	Issues of securities to satisfy warrants, options and convertibles should continue to be able to be covered by the general mandate and not require specific shareholder approval.
11.4(c)	For a specific allotment mandate, the circular should require the inclusion of all relevant information.
11.5	Our other comment on the consultation regarding general mandates is that it should be accepted that this issue has been extensively debated and consulted upon previously and it is unnecessary and inappropriate to keep on raising this issue with such frequency.

12.1	The rules should not be changed to require voting by poll on all resolutions. This would be unduly burdensome.
12.2	The rules should not be changed to require all resolutions at annual general meetings to be by way of poll. This would be unduly burdensome.
12.3	The rules should require disclosure of details about proxies held and how they were voted as this will address any concerns regarding the Chairman or other proxy holder not acting appropriately as regards exercising the proxies.
12.4	The requirements as to time periods for convening general meetings should not be extended to 28 days for all meetings.
12.5	The requirements as to time periods for convening annual general meetings should not be extended to 28 days.
12.6	Our other comment is a general observation that it is not in the interests of the Hong Kong market to adopt requirements which would be more onerous than those of any other market in the world. As quite correctly highlighted in para 12.49 of the consultation paper, longer notice periods would (i) add uncertainty to transactions (ii) expose the company to greater risk of a market downturn (iii) increase underwriting expenses as underwriting periods would be longer, and (iv) ultimately reduce business opportunities.
13.1 – 13.3	Disagree. We would suggest instead that the UK position should be adopted under which, upon appointment, an announcement of any matters relating to issues such as convictions, receiverships, liquidations, public criticisms etc is required. The appointment announcement must also include the current, and those within the last five years, directorships of publicly quoted companies. After appointment any changes to the first category of information (convictions, receiverships, liquidations, public criticisms etc) is required to be made as soon as possible but only new directorships in other publicly quoted companies is required.
13.4	Agreed.
13.5	No comment on the drafting.
13.6 and 13.7	Agee with the proposals for enhancing disclosures of information about and by directors.
13.8	No comment on the drafting.
13.9	Agree that the additional Ordinances are relevant as regards disclosures by directors.
13.10	Agree that a conviction under any of the three limbs should merit disclosure.
13.11	No comment on the drafting.
14.1 and 14.2	Agreed that the relief from shareholder approval should be confined to companies whose principal business activity is property development and with the Exchange's proposed definition of this.

14.3	The relief should also be extended to Government/City auctions in the mainland for companies whose principal business activity in property development in the PRC.
14.4	Projects which contain any portion of a capital element should qualify for the relief – shareholders in those companies should be well aware of how the company will conduct its business, and should not wish to see its ability to participate in land auctions to obtain land-bank diminished by unduly burdensome regulatory requirements.
14.5	Agree with the proposed relief for property joint ventures with connected persons where the connection is only by virtue their being a partner in single purpose property projects.
14.6	The requirements for obtaining a GPA mandate are likely, in practice, to be overly burdensome and potentially require an issuer to disclose commercially sensitive information. We believe this issue should be discussed in detail with issuers who are property developers so that arrangements adopted are capable of being properly implemented. For example, it is envisaged the GPA will relate to a specific property – but often projects involve multiple properties.
14.7	The disclosure obligations upon notification of a successful bid are appropriate and should continue to apply.
14.8	No comment on the drafting.
15.1	Agree. Self-constructed assets for use in the ordinary and usual course of business should be excluded from the notifiable transaction regime.
15.2	No comment on the drafting.
16.1	The granting of waivers where information cannot be obtained in takeovers should be codified in the rules. Not to do so would serve to disadvantage issuers listed in Hong Kong from overseas acquisitions, and this would be harmful for them, their shareholders and the Hong Kong market.
16.2	The rules should cover all situations where the information cannot be obtained, and not merely hostile bids. This is necessary because the target may be under regulatory or contractual restrictions on disclosure – or may simply be unwilling to make such disclosures prior to consummation of a transaction for commercial reasons.
16.3	Allowing 45 days for additional disclosure for additional disclosure from the trigger points envisaged is acceptable provided that there is express power to grant additional time where this is needed.
16.4	No comment on the drafting.
17.1 – 17.5	Agree with all the proposals regarding review and disclosure of director's and supervisor's undertakings. It would also be helpful to include a specific obligation on directors to confirm that they have made themselves available to sponsors for the purpose of due diligence enquiries (including a specific statement as to when this was) as

	frequently proposed directors can be reluctant to do so and see such enquiries as inappropriate and impudent questioning.
17.6	No comment on the drafting.
17.7	We have the similar concerns as referred to in 2.1 above regarding extending the Exchange's power to obtain information from directors.
17.8	No comment on the drafting.
17.9 -17.10	Disagree.
17.11	Agreed, but would suggest that issuers should be required to confirm to the Exchange that they have notified the directors of any change.
18.1	Agreed with the additional exceptions from what constitutes "dealing" in securities.
18.2	Agreed with the clarification of what constitutes price sensitive information.
18.3	No comment on the drafting.
18.4	The current blackout periods should not be extended to commence from the issuer's year/period end until the relevant results are published. It is to the advantage of other shareholders that directors are able to acquire shares when share prices are falling as this can provide liquidity when other investors are seeking an exit, and this ability would be seriously curtailed if the times at which directors can deal is reduced. Such trading is simply reflective of the nature, and in poorer market conditions the unique strength, of the Hong Kong market where we have family controlled companies. Also the proposal, if adopted, would result in Hong Kong having a more restrictive regime than any other market – this is unduly burdensome and inappropriate for what is still an emerging market.
18.5	There is no need to regulate the time for responding to a request for dealing – this is purely an internal matter for the company involved. Further, what sanction is it envisaged would be imposed if a response is not received within the time allowed?
18.6	Agreed that a time limit for a director to deal following consent being granted is appropriate. We would suggest that any dealing should have to take place within 2 business days of consent being granted.

~~35.~~ *The Exchange reserves the right to require an issuer to issue a further announcement or document~~,~~ and/or take other remedial action~~, particularly~~ if the original ~~announcement or~~ document ~~was not required by~~ does not comply with the requirements of the Exchange Listing Rules ~~to be reviewed by the Exchange, or if the original announcement or document is misleading or is likely to create a false or misinformed market~~.*

~~46.~~ *Where an announcement or advertisement of a new or further issue of securities contains a profit forecast, the provisions of rules 14.61 and 14.62 will apply.*

~~57.~~ ~~*Every announcement or advertisement which has been reviewed by the Exchange in accordance with the provisions of rule 13.52(1)*~~*Any listing document, circular, announcement or notice issued by a listed issuer pursuant to the Exchange Listing Rules must contain on the front cover, or as a heading, ~~on the top of the announcement or advertisement~~ a prominent and legible disclaimer statement as follows:—*

"The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this ~~advertisement/announcement~~ document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this ~~advertisement/ announcement~~ document."

13.52A In addition to the specified requirements set out in rule 13.52, the Exchange has the right to request to review any documents prior to publication in individual cases. In any such case, the Exchange will communicate to the issuer its direction to review the document prior to publication and the reasons for its decision. The issuer shall accordingly submit to the Exchange copies of drafts for review and shall not issue the document until the Exchange has confirmed that it has no further comments thereon.

13.52B An issuer proposing to publish a document pursuant to the Exchange Listing Rules shall observe the following provisions:

(1) Where the subject matter of the document may involve a change in or relate to or affect arrangements regarding trading in the issuer's listed securities (including a suspension or resumption of dealings, and a cancellation or withdrawal of listing), the issuer must consult the Exchange before the document is issued. The document must not include any reference to a specific date or specific timetable in respect of such matter which has not been agreed in advance with the Exchange.

(2) If the issuer wishes to

(a) ascertain whether or to what extent any provisions in the Exchange Listing Rules apply to the document, or the ~~transaction~~ or matter to which it relates; or

(b) request a modification or dispensation ~~with~~ any requirements of the Exchange Listing Rules in respect of the document, or the transaction or matter to which it relates,

then relevant details, including the reasons and circumstances that give rise to the issues concerned, must be submitted to the Exchange in sufficient time for its determination.

...

Forwarding of documents, circulars, etc.

13.54 An issuer (other than authorised Collective Investment Schemes) shall forward to the Exchange:—

(1) 25 copies of each of the English language version and the Chinese language version of:

(a) all circulars to holders of securities;

(b) its annual report and accounts and, where applicable, its summary financial report; and

(c) the interim report and, where applicable, its summary interim report,

at the same time as they are despatched to holders of the issuer's listed securities with registered addresses in Hong Kong;

In respect of a circular for any proposed alteration of the issuer's memorandum or articles of association or equivalent documents, and in the case of a PRC issuer, any proposed request by the PRC issuer to a PRC competent authority to waive or otherwise modify any provision of the Regulations, the issuer should submit the published version of the circular together with a letter from the issuer's legal advisers confirming that the proposed amendments comply with the requirements of the Exchange Listing Rules and the laws of the place where it is incorporated or otherwise established and there is nothing unusual about the proposed amendments for a company listed in Hong Kong.

In respect of a circular or notice containing an Explanatory Statement issued under rule 10.06(1)(b), the issuer should submit to the Exchange the published version of the statement together with (a) a confirmation from the issuer that the statement contains the information required under rule 10.06(1)(b) and that neither the statement nor the proposed share repurchase has unusual features; and (b) the undertaking from its directors to the Exchange according to rule 10.06(1)(b)(vi).

Note: Wherever practicable the issuer should provide the Exchange with such reasonable number of additional copies of these documents as the Exchange may request.

...

14.03 ~~All announcements, circulars and listing documents in relation to transactions under this Chapter must be reviewed by the Exchange and may only be issued after the Exchange has confirmed that it has no further comments thereon.~~ [Repealed *[insert date]*]

...

Surely this for too vague a concept for a lawyer to opine on.