

Corporate Communications Department  
Hong Kong Exchanges & Clearing Ltd.,  
12th Floor, One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

3 April 2008

RE: Combined Consultation Paper on Proposed Changes to the Listing Rules

Dear Sir or Madam,

I am writing to you on behalf of F&C Management Ltd, a United Kingdom-based global asset management firm that manages approximately £103.6 billion<sup>1</sup>, with significant investments in Hong Kong-listed companies. As an active shareowner, F&C votes all of its global shareholdings, and encourages the companies in which it invests to adopt good practice in corporate governance matters.

I would like to take this opportunity to respond to the proposed amendments to the listing standards outlined in the Combined Consultation Paper, many of which will strengthen the corporate governance framework in Hong Kong and bring it into better alignment with global standards. Below I outline F&C's comments on several specific proposed changes that will significantly impact foreign investors in Hong Kong-listed companies.<sup>2</sup>

**Issue 1: Use of websites for communications with shareholders** - F&C supports the use of company websites to communicate with shareholders. Company annual reports, financial statements and proxy voting materials should be easily accessible online, and published on a timely basis in advance of the AGM.

**Issue 3: Qualified accountants** – F&C opposes the removal of the requirement that each listed company have a “qualified accountant” within its senior management team. The integrity of accounts is crucial to making fully-informed investment decisions and requires oversight by experienced qualified accountants within the corporation and at the external audit firm. Given the ongoing global convergence of accounting standards around IFRS, auditors must retain the skills and qualifications to meet global accounting norms. Qualified accounts are also necessary to ensure the integrity of internal controls over financial reporting, in order to identify any potential weaknesses or inaccuracies that could lead to significant restatements.

**Issue 5: Minimum public float** – F&C supports changes to increase the minimum public float of listed companies, while maintaining flexibility to reflect companies' total market cap. While the absolute minimum float may vary from 10% to \$6 billion for very large companies, F&C is most concerned that the equity capital included in such calculations reflects equity that is truly available to the public. It therefore supports the Exchange's proposal to tighten the definition of “public” to *exclude* large strategic investors. Large block shareholders and shareholders subject to a lock-up period should not be included in calculations to meet the revised minimum public float requirements.

**Issue 8: Disclosure of changes in issued share capital** - F&C supports the proposed rule change to require listed companies to announce any changes in issued share capital by way of a “next-day disclosure” requirement. However, we encourage the HKEx to clarify the requirement for disclosure of stock option grants and minimum threshold requirements in the case of certain transactions such as issuance of convertible securities.

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<sup>1</sup> As at 31 December 2007.

<sup>2</sup> The numbering below reflects the numbering used in the Combined Consultation Paper.

**Issue 11: General mandate** - F&C strongly encourage the HKEx to open up the issue of the “general mandate” to issue equity for review. Pre-emption rights for existing shareholders are essential and are not sufficiently protected under the existing general mandate rule. F&C routinely votes against requests to issue up to 20% of equity without pre-emption rights, and believes that the UK standard, which limits equity issuance to 5% in one year without pre-emption rights, and a 5% discount, reflect global good practice. In light of the high growth strategy of many Hong Kong-listed companies, F&C is willing to approve issuance requests up to 10% in this market, with a 10% discount, and encourages the HKEx to consider amending the general mandate in this direction.

**Issue 12: Voting at AGMs** – F&C supports proposed rule changes to introduce mandatory voting by poll, the publication of proxy voting results following the annual meeting, and to extend the deadline for publishing proxy materials to 28 days from the current 21 days prior to the annual meeting, all of which reflect global good governance practice. According to CLSA’s CG Watch 2007, 30% of Hong-Kong listed companies continue to rely on a show of hands to conduct voting, which prevents foreign investors who cannot attend company meetings from fully exercising their voting rights. Voting by poll has the added advantage of enabling companies to get a better sense of the views of a wider representation of shareholders than would likely be present at the annual meeting.

**Issues 13 and 16 – Disclosure of information regarding directors and takeovers** – F&C strongly supports rule changes that will improve transparency to the market. Biographical information on directors should be disclosed continually, as this information is critical to evaluating director independence and qualifications, and identifying potential conflicts of interest. Similarly, F&C supports efforts by the Exchange to improve the transparency of information surrounding a takeover.

I look forward to reviewing the final outcomes of the proposed changes to the listing rules, as well as additional efforts HKEx may be considering to improve corporate governance among Hong Kong-listed companies. As part of its commitment to good governance and transparency, F&C published all such submissions to government agencies on its website at [www.fandc.com/gsi](http://www.fandc.com/gsi).

Thank you very much for your attention to this letter.

Yours Sincerely,



Alexis B. Krajieski  
Associate Director, Governance & Sustainable Investment