QUESTIONNAIRE ON PROPOSED CHANGES TO THE LISTING RULES

The purpose of this questionnaire is to seek views and comments from market users and interested parties regarding the issues discussed in the Combined Consultation Paper on Proposed Changes to the Listing Rules (the "Combined Consultation Paper") published by The Stock Exchange of Hong Kong Limited (the Exchange), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx), in January 2008.

Amongst other things, the Exchange seeks comments regarding whether the current Main Board Listing Rules and Growth Enterprise Market Listing Rules should be amended.

A copy of the Combined Consultation Paper can be obtained from the Exchange or at http://www.hkex.com.hk/consul/paper/consultpaper.htm.

Please return completed questionnaires on no later than **7 April 2008** by one of the following methods:

By mail or hand delivery to:	Corporate Communications Department Re: Combined Consultation Paper on Proposed Changes to the Listing Rules Hong Kong Exchanges and Clearing Limited 12th Floor, One International Finance Centre 1 Harbour View Street, Central Hong Kong
By fax to:	(852) 2524-0149
By email to:	cvw@hkex.com.hk

The Exchange's submission enquiry number is (852) 2840-3844.

Please indicate your preference by ticking the appropriate boxes.

Where there is insufficient space provided for your comments, please attach additional pages as necessary.

Issue 1: Use of websites for communication with shareholders

Question 1.1: Do you agree that the Rules should be amended so as to remove the requirement that all listed issuers must, irrespective of their place of incorporation, comply with a standard which is no less onerous than that imposed from time to time under Hong Kong law for listed issuers incorporated in Hong Kong with regard to how they make corporate communications available to shareholders (as proposed in paragraph 1.20(a) of the Combined Consultation Paper)?

☒ Yes

☐ No

Please provide reasons for your views.

On this point, there is no reason why Hong Kong should remain positioning itself so differently.

Reference to similar US legislation has been made in the Consultation Paper.

In the UK, listed companies are required to comply with communication rules under Listing Rules or AIM Rules. Companies Act 2006 and Disclosure Rules and Transparency Rules ("DTR") are applicable to companies incorporated in UK only. These rules do not set UK Listing Rules ("LR") or AIM Rules as a minimum standard to follow for overseas companies to avoid confusion over applicable law.

Question 1.2: Do you agree that the Rules should be amended so as to allow a listed issuer to avail itself of a prescribed procedure for deeming consent from a shareholder to the listed issuer sending or supplying corporate communications to him by making them available on its website?

☒ Yes

☐ No

Please provide reasons for your views.

Printing of prospectuses and circulars is an extrememly wasteful exercise and is not friendly to the environment at all. Nowadays electronic communication is commonly regarded as an equally, if not more, efficient means of communication.

Provisions regarding electronic communication in UK Companies Act 2006 and DTR 6.1.8R are followed by the Draft Rule in the Consultation Paper. Electronic communication enables companies (subject to shareholder approval) to use electronic communications with shareholders as the default position and allows (but does not require) companies to use websites and e-mail to communicate with their shareholders. It is anticipated that this will lead to significant cost savings for all companies through their reduced paper consumption. A number of companies have already used their 2007 AGM to obtain authority from shareholders or amend their articles to permit the use of electronic communications. In the light of the changes introduced by the 2006 Act, the Code Committee of the Takeover Panel has announced that it is considering the extent to which the Takeover Code should be amended to take account of the availability of electronic communication as a means of assisting with the dissemination of information and documents on a takeover.

Question 1.3: In order for a listed issuer under our proposal to be allowed to send or supply corporate communications to its shareholders by making them available on its website, its shareholders must first have resolved in general meeting that it may do so or its constitutional documents must contain provision to that effect. Do you concur that, as in the UK, the listed issuer should also be required to have asked each shareholder individually to agree that the listed issuer may send corporate communications generally, or the corporate communications in question, to him by means of the listed issuer's website and to have waited for a specified period of time before the shareholder is deemed to have consented to a corporate communication being made available to him solely on the listed issuer's website?

☐ Yes

☒ No

Please provide reasons for your views.

Shareholders should be given the choice. If, however, they do not choose, it can be taken that they do not care about how, or even whether, to receive the information.

Question 1.4: If your answer to *Question 1.3* is "yes", do you agree that:

(a) the specified period of time for which the listed issuer should be required to have waited before the shareholder is deemed to have consented to a corporate communication being made available to him solely on the listed issuer's website should be 28 days;

☒ Yes

☐ No

(b) where a shareholder has refused to a corporate communication being made available to him solely on the listed issuer's website, the listed issuer should be precluded from seeking his consent again for a certain period of time; and

☒ Yes

☐ No

(c) if your answer to (b) is "yes", should the period be 12 months?

☒ Yes

☐ No

Please provide reasons for your views.

Reference to similar UK legislation has been made in the Consultation Paper. Please see answer to Q1.2 regarding the UK practice. The UK position appears reasonable.

Do you have any other comments you consider necessary to supplement your reply to this *Question 1.4*?

See answer to Q1.2

Question 1.5: Do you consider that the Rules should be amended to remove the requirement for express, positive confirmation from a shareholder for the sending of a corporate communication by a listed issuer to the shareholder on a CD?

☒ Yes

☐ No

Please provide reasons for your views.

Shareholders should be given the choice. If, however, they do not choose, it can be taken that they do not care about how, or even whether, to receive the information. Reference to similar UK legislation has been made in the Consultation Paper. Please see answer to Q1.2 regarding the UK practice.

Question 1.6: Do you agree that the draft Rules at Appendix 1 will implement the proposals set out in Issue 1 of the Combined Consultation Paper?

☒ Yes

☐ No

Please provide reasons for your views.

Issue 2: Information gathering powers

Question 2.1: Do you agree that a new Rule should be introduced to grant to the Exchange express general powers to gather information?

☒ Yes

☐ No

Question 2.2: Do you agree that the draft Main Board Rule 2.12A at Appendix 2 will implement the proposal set out in *Question 2.1* above?

☒ Yes

☐ No

Issue 3: Qualified accountants

Question 3.1: Do you agree that the requirement in the Main Board Rules for a qualified accountant should be removed?

☒ Yes

☐ No

Please provide reasons for your views.

On this point, there is no reason why Hong Kong should remain positioning itself so differently. The introduction of the qualified accountant requirement has never achieved the intended purpose.

There is no mandatory requirement for a listed company to employ a qualified accountant as a member of senior management in Official List rules or AIM rules. However, the Smith report regarding Audit and Accounting Issues for listed companies had proposed that the audit committee should have one member with "significant, recent and relevant financial experience". It is desirable for that committee member to have a professional qualification from one of the professional accountancy bodies (paragraph 2.17, the Smith Guidance). The Smith Guidance states that the need for a degree of financial literacy among the other members of the committee will vary according to the nature of the company, but experience of corporate financial matters will normally be required. The availability of appropriate financial expertise will be particularly important where the company's activities involve specialised financial activities (paragraph 2.17, the Smith Guidance). Indeed, in order to carry out the responsibilities of the committee, members will need to be familiar with GAAP, performance indicators and ratios and deal with financial instruments.

In the US, there is also no mandatory requirement for a company to employ a qualified accountant, but each exchange imposes their own requirements with respect to the level of financial expertise of a company's audit committee members. The Sarbanes-Oxley Act of 2002 adopted a "comply or explain" approach, requiring companies to disclose whether its board of directors has determined that the company either i) has at least one "audit committee financial expert" or ii) does not have an "audit committee financial expert" and the reason why it does not have such an expert. The US Securities and Exchange Commission defines an "audit committee financial expert" as a person with certain attributes, among them: i) an understanding of generally accepted accounting principles and financial statements; ii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity issues that can reasonably be expected to be raised by the company's financial statements; and iii) an understanding of internal controls and procedures for financial reporting. Exchanges such as NASDAQ and NYSE have more specific requirements in this regard. NASDAQ rules require that i) all audit committee members at the time of their appointment must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement, and ii) a company must certify that it has at least one member of the audit committee who has past employment experience in finance or accounting or other comparable experience or background which results in the individual's financial sophistication. NYSE requires that i) each member of a company's audit committee must be "financially literate" or must become financial literate within a reasonable period of time and ii) at least one member of a company's audit committee must have accounting or related financial management expertise, as the board interprets in its business judgment, with a member who satisfied the definition of "audit committee financial expert" under the Sarbanes-Oxley Act to be presumed to have such expertise.

The Smith Report amounts to a codification of current best practice adopted by large UK listed companies. In consideration of cost and difficulty of compliance, in practice, small UK listed companies and overseas companies do not adopt this recommendation. But overseas companies may employ a non-executive director with such qualification for credibility and good corporate governance purpose. It is

sensible to remove such mandatory requirements in the Main Board Rules and the GEM Rules, but the role of qualified accountants in internal control system should be promoted. Such requirements could be contained in Code on Corporate Governance Practices and listed companies could adopt the Code by a "comply or explain" approach.

Question 3.2: Do you agree that the requirement in the GEM Rules for a qualified accountant should be removed?

☒ Yes

☐ No

Please provide reasons for your views.

See answer to Q3.1

Issue 4: Review of sponsor's independence

Question 4.1: Do you agree that the Rules regarding sponsor's independence should be amended such that a sponsor is required to demonstrate independence at any time from the earlier of the date when the sponsor agrees its terms of engagement with the new applicant and when the sponsor commences work as a sponsor to the new applicant up to the listing date or the end of the price stabilisation period, whichever is the later?

☒ Yes

☐ No

Please provide reasons for your views.

The independence of the sponsors plays a pivotal role in the operation of the current system. No one should be placed in a more favourable position than others.

In the UK, when a sponsor is appointed to act on behalf of an issuer or new applicant, the sponsor firm must provide written confirmation to the UKLA that it is independent of the issuer by way of a "Sponsor's Confirmation of Independence" form (LR 8.7.12R). This Confirmation of Independence, similar to the "Sponsor's Declaration" under Main Board Rule, must be submitted to the FSA at the same time as any documents in connection with a transaction are first submitted to the FSA and be re-confirmed on the day of approval of the prospectus or circular.

In September 2006 the UKLA stated that it would strictly enforce the requirement in LR 8.7.12R that the sponsor must submit the completed Confirmation of Independence along with the first draft of the document, and accordingly first comments will not be returned until after it has received the form (see paragraph 5.2, UKLA newsletter "LIST!", Issue No. 13 - September 2006).

Question 4.2: Do you agree that the draft Rules at Appendix 4 will implement the proposals set out in *Question 4.1* above?

☐ Yes
☒ No

Please provide reasons for your views.

It seems that the Draft Rule in Appendix 4 sets out a broader time frame than UK regime during which the demonstration of sponsor's independence is required. Under the Draft Rule, the sponsor is required to submit "Sponsor's Statement Relating to Independence" from the earlier of the date when the sponsor agrees its terms of engagement with the new applicant and when the sponsor commences work as a sponsor to the new applicant, thereby effectively avoiding sponsors who is not independent during the whole process and only becomes independent on the date required by the old rules.

Issue 5: Public float

Question 5.1: Do you agree that the existing Rule 8.08(1) (d) should be amended?

☒ Yes
☐ No

Question 5.2: If your answer to *Question 5.1* is "yes", do you agree that the existing Rule should be amended as proposed at Appendix 5?

☒ Yes
☐ No

Do you have other suggestions in respect of how the existing Rule should be amended? Please provide reasons for your views.

In UK, at the time of admission to listing, at least 25% of each class of shares being listed must be in the hands of the public in one or more EEA States. A percentage lower than 25% may be acceptable if the market will operate properly with a lower percentage in view of the large number of shares of the same class and the extent of their distribution to the public (LR 6.1.19R and LR 6.1.20G). For this purpose, the FSA may take into account shares of the same class that are held (even though they are not listed) in states that are not EEA States. But very few exception is granted by FSA in this context.

In other words, market capitalisation is not expressly taken into consideration when FSA uses discretion in lowering minimum level of public float. The thresholds set out in Main Board Rules reflex the flexibility of Hong Kong market. The Draft Rule, proposing to block the issuer with market capitalisation marginally exceeding the prescribed threshold, should be proceeded to protect the market liquidity and avoid abuse of the flexible regime.

Question 5.3: Do you have any other comments on the issue of public float? Please be specific in your views.

Currently there are many examples where there are a number of shareholders each holding slghtly than 10% shares in a listed company but all such shares are regarded as held in public hands. The threshold

should be reduced to 5%, in line with the disclosure requirement under the SFO.

In UK regulation, pursuant to LR 6.1.19R, shares are not held in public hands if they are held, directly or indirectly by: (i) a director of the applicant or of any of its subsidiary undertakings; or (ii) a person connected with a director of the applicant or of any of its subsidiary undertakings; or (iii) the trustees of any employees' share scheme or pension fund established for the benefit of any directors and employees of the applicant and its subsidiary undertakings; or(iv) any person who under any agreement has a right to nominate a person to the board of directors of the applicant; or (v) any person or persons in the same group or persons acting in concert who have an interest in 5% or more of the shares of the relevant class.

Question 5.4: Do you agree that the existing Rule 8.24 should be amended?

☒ Yes
☐ No

Question 5.5: If your answer to *Question 5.4* is "yes", do you agree that the existing Rule should be amended as proposed at Appendix 5?

☒ Yes
☐ No

Do you have other suggestions in respect of how the existing Rule should be amended? Please provide reasons for your views.

Comparing with the Listing Rule, the Draft Rule not only adds similar stipulation, but also sets out more specific description to define "connected" in terms of source of financing and accustomed behaviour under instructions, thereby facilitating implement of the regulation.

Question 5.6: Do you consider that there is the need to regulate the level of market float?

☐ Yes
☒ No

Question 5.7: If your answer to *Question 5.6* is "yes", do you have suggestions as to how it should be regulated, e.g. in terms of percentage or value, or a combination of both? Please provide reasons for your views.

Market float does not necessarily reflect the suitability of a listed company maintaining its listing status.

There is no minimum level of market float requirement, namely pro-rata maximum level of shares subject

to lock up of more than six months, in UK regulation. But similar to the proposal, disclosure in the initial listing document of the attained level of market float and the lock up arrangements with the "non-public" shareholders is required under the Prospectus Directive Regulation and so are subsequently continuous notification of any disposal under an exemption or any variation of such lock-up agreement under LR 9.6.16. It is not advised to regulate the level of market float here, as the different nature and investor structure of listed companies makes it difficult to set up a threshold by value or percentage.

Issue 6: Bonus issues of a class of securities new to listing

Question 6.1: Do you agree that the requirement for a minimum spread of securities holders at the time of listing under Main Board Rules 8.08(2) and 8.08(3) should be disapplied in the event of a bonus issue of a class of securities new to listing?

☒ Yes

☐ No

Please provide reasons for your views.

There is no minimum requirement for spread of holders at the time of listing in UK regulation, i.e.no similar requirement applied in the event of a bonus issue. But the restrictive definition of "Shares in Public Hands" has the effect to limit the high concentration of shareholdings.

Given that the bonus issue is on pro rata basis and shareholders' consent is required, it is necessary to disapply the minimum spread requirement under the circumstance in the Consultation Paper.

Question 6.2: Do you consider it appropriate that the proposed exemption should not be available where the listed shares of the issuer may be concentrated in the hands of a few shareholders?

☐ Yes
☒ No

If so, do you consider the five-year time limit to be appropriate?

☐ Yes
☐ No

Please provide reasons for your views.

There is no similar limitation in UK regulation.

Question 6.3: Do you agree that the draft Rules at Appendix 6 will implement the proposals set out in *Questions 6.1 and 6.2* above?

☒ Yes
☐ No

Please provide reasons for your views.

Issue 7: Review of the Exchange's approach to pre-vetting public documents of listed issuers

Question 7.1: Do you agree that the Exchange should no longer review all announcements made by listed issuers?

☒ Yes
☐ No

Please provide reasons for your views.

The operation of Hong Kong as an international financial market should not be subject to such unnecessary constrants as the availability, knowledge or standards of frontline Stock Exchange officers. This can also avoid the uncertainty commonly caused by Stock Exchange officers insisting that there are "team variations" in terms of the interpretation of the Listing Rules and relared practice. UK listing rules require comprehensive disclosure of major acquisitions, disposals and related party transactions, an approach is also adopted mirrored in US, Australia and Hong Kong. FSA listing rules require specific disclosure of information (and in some cases a shareholder vote) on corporate transactions, dependent on the relative size of the transaction, and require related party transactions to be

covered by an independent advisor's fair and reasonable opinion.

The FSA may be involved in detailed pre-vetting of disclosure announcements and shareholder documentation. Hong Kong also prescribes similar transaction requirements to those in the UK.

Question 7.2: Do you have any views on the proposed arrangements and issues the Exchange should consider in order to effect an orderly transition from the current approach to the new approach with a further reduction in the scope of pre-vetting of announcements?

Question 7.3: Do you support the proposal to amend the pre-vetting requirements relating to:

(a) circulars in respect of proposed amendments to listed issuers' Memorandum or Articles of Association or equivalent documents; and

☒ Yes

☐ No

(b) explanatory statements relating to listed issuers purchasing their own shares on a stock exchange?

☒ Yes

☐ No

Please provide reasons for your views.

These are very standard matters. Pre-vetting only offers Stock Exchange officers the opportunity to make unreasonable requests to add information that is not otherwise required by the Listing Rules or in other similar cases. This creates uncertainty.

Pursuant to UKLR 13.2.2R, a circular regarding amendments to constitution does not need to be approved if it includes:

(i) an explanation of the effect of the proposed amendments; and

(ii) either the full terms of the proposed amendments, or a statement that the full terms will be available for inspection:

(a) from the date of sending the circular until the close of the relevant general meeting at a place in or near the City of London or such other place as the FSA may determine; and

(b) at the place of the general meeting for at least 15 minutes before and during the meeting.

However, pursuant to LR 13.2.3, a circular relating to a resolution to give a listed company authority to

purchase its own equity securities must be approved by the FSA if:

(i) the purchase by the company of its own securities is to be made from a related party (excluding a general offer or a market purchase under a general authority granted by shareholders); or;

(ii) the exercise in full of the authority sought would result in the purchase of 25% or more of the company's issued equity shares (excluding treasury shares).

Question 7.4: Do you agree that the Exchange should continue to pre-vet (pursuant to a new requirement in the Rules) the categories of documents set out in paragraph 7.50 of the Combined Consultation Paper?

☒ Yes

☐ No

Please provide reasons for your views.

The Stock Exchange should take a step-by-step apprach to abolish the pre-vetting system; otherwise it can only be nothing but chaotic.

Circulars relating to a proposed change of name, authority to allot shares, disapplying pre-emption rights, increase in authorized share capital, reduction of capital, bonus issue, scrip dividend alternative, notice of meetings, etc. are not required to be pre-vetted if the requirement of contents is met. Other circulars are still subject to FSA approval.

Question 7.5: Do you support the proposal to amend the circular requirements relating to discloseable transactions including the proposal regarding situations where the Rules currently require that expert reports are included in a circular?

☒ Yes

☐ No

Please provide reasons for your views.

The information in a discloseable transaction basically repeats what is already stated in the announcment. It adds nothing but costs to the listed companies. *There is no such requirement in UK regulation.*

Question 7.6: Do you have any comments on the proposed minor Rule amendments described at paragraphs 7.59 to 7.63 of the Combined Consultation Paper? Please provide reasons for your views.

No.

Question 7.7: Do you agree that the draft (Main Board and GEM) Rules at Appendix 7 will implement the proposals set out in Issue 7 of the Combined Consultation Paper?

☒ Yes

☐ No

Please provide reasons for your views.

Issue 8: Disclosure of changes in issued share capital

Question 8.1: Are there any other types of changes in issued share capital that should be included in the Next Day Disclosure Return?

☐ Yes

☒ No

If so, please provide reasons for your views, together with the types of changes.

The current category of discloseable changes in issued share capital is adequate; it is also similar to the UK regulation.

Question 8.2: Have the various types of changes in a listed issuer's issued share capital been appropriately categorised for the purpose of next day disclosure, bearing in mind the need to strike a balance between promptly informing the market on the one hand and avoiding the creation of a disproportionate burden on listed issuers on the other?

☒ Yes

☐ No

Question 8.3: Is 5% an appropriate *de minimis* threshold for those categories of changes to which it applies?

☒ Yes

☐ No

Please provide reasons for your views.

The proposed categorization and thresholds are considered appropriate and reasonable.

Question 8.4: Do you have any comments on the draft of the Next Day Disclosure Return for equity issuers?

No.

Question 8.5: Do you have any comments on the draft of the Next Day Disclosure Return for CISs listed under Chapter 20 of the Main Board Rules, other than listed open-ended CISs?

No.

Question 8.6: Is 9:00 a.m. of the next business day an achievable deadline for the Next Day Disclosure Return?

☒ Yes

☐ No

Please provide reasons for your views.

It gives the listed companies more time than that given by, for example, the UK rules. Pursuant to UK Disclosure and Transparency Rules, UK issuer must disclose any notification which they have received by the end of the following trading day.

Question 8.7: Do you have any comments on the draft of the revised Monthly Return for equity issuers?

It enhances transparanecy. *It is a mandatory requirement for issuer to make monthly return of changes in issued share capital and voting rights in respect of each class of share which it issues pursuant to DTR 5.6.1R. But it does not apply to AIM companies.*

Question 8.8: Do you have any comments on the draft of the revised Monthly Return for CISs listed under Chapter 20 of the Main Board Rules, other than listed open-ended CISs?

No.

Question 8.9: Do you have any comments on the draft of the revised Monthly Return for open-ended CISs listed under Chapter 20 of the Main Board Rules?

No.

Question 8.10: Is 9:00 a.m. of the fifth business day following the end of each calendar month an achievable deadline for publication of the Monthly Return?

☒ Yes

☐ No

Please provide reasons for your views.

It gives the listed companies more time than that given by, for example, the UK rules. Most of UK issuers publicate such Monthly Return on the next trading day following the end of each calendar month.

Question 8.11: Should the Exchange amend the Rules to require listed issuers to make an announcement as soon as possible when share options are granted pursuant to a share option scheme?

☒ Yes

☐ No

If so, do you have any comments on the details which we propose to require listed issuers to disclose in the announcement?

The requirements in the proposal is considered reasonable and appropriate.

Question 8.12: Do you agree that the draft Rules at Appendix 8A will implement the proposals set out in Issue 8 of the Combined Consultation Paper?

☒ Yes

☐ No

Please provide reasons for your views.

Issue 9: Disclosure requirements for announcements regarding issues of securities for cash and allocation basis for excess shares in rights issue

Question 9.1: Do you support the proposal to amend Main Board Rule 13.28 and GEM Rule 17.30 to extend the specific disclosure requirements to other categories of issues of securities for cash and to include additional items of information in the amended Rule?

☒ Yes

☐ No

Please provide reasons for your views.

It enhances transparaency. There are no similar requirements in UK regulation.

Question 9.2: Do you agree that the draft Rules at Appendix 9 will implement the proposal set out in *Question 9.1* above?

☒ Yes

☐ No

Please provide reasons for your views.

Question 9.3: Do you support the proposal to amend Main Board Rules 7.21(1) and 7.26A(1) and GEM Rules 10.31(1) and 10.42(1) to require listed issuers to disclose the basis of allocation of the excess securities in the announcement, circular and listing document for a rights issue/open offer?

☒ Yes

☐ No

Please provide reasons for your views.

It enhances transparaency. There are no similar requirements in UK regulation.

Issue 10: Alignment of requirements for material dilution in major subsidiary and deemed disposal

Question 10.1: Should the Rules continue to impose a requirement for material dilution, separate from notifiable transaction requirements applicable to deemed disposals?

☐ Yes

☒ No

Please provide reasons for your views.

The separation of requirements for material dilution and deemed disposals causes immense confusion and inconsistency.

Question 10.2: Do you agree that the requirements for material dilution under Main Board Chapter 13 and GEM Chapter 17 should be aligned to those for deemed disposal in Main Board Chapter 14 and GEM Chapter 19?

☒ Yes

☐ No

Please provide reasons for your views.

Whatever the changes, the end result must be of sufficient clarity and certainty. UK regulation places "material dilution" under the category of "significant transactions". Pursuant to LR 10.2.8, if a major subsidiary undertaking (representing 25% or more of the aggregate of the gross assets or profits of the group) of a listed company issues shares, by which the listco's percentage interest would diluted equivalent to a disposal of 25 % or more of the aggregate of the gross assets or profits of the group, such issue is to be treated as a class 1 transaction subject to the disclosure requirement in Chapter 10 of the Listing Rules.

Question 10.3: Do you agree that the draft Rules at Appendix 10 will implement the proposals set out in *Question 10.2* above?

☒ Yes

☐ No

Please provide reasons for your views.

Issue 11: General mandates

Question 11.1: Should the Exchange retain the current Rules on the size of issues of securities under the general mandate without amendment?

☒ Yes

☐ No

If yes, then please provide your comments and suggestions before proceeding to *Question 11.3* below.

It maintains the competitiveness of Hong Kong as a financial market to raise funds with flexibility and efficiency. Market conditions do not wait. Reference has been made to UK law regarding "general mandates to dis-apply pre-emption rights" in the Consultation Paper.

Question 11.2: Should the Exchange amend the current Rules to restrict the size of the general mandate that can be used to issue securities for cash or (subject to your response to *Question 11.4*) to satisfy an exercise of convertible securities to: *(choose one of the following options)*

☐ 10%, with the mandate to issue securities for other purposes retained at not more than 10% (or some other percentage) of the issued share capital? If yes, then what should be the percentage of the issued share capital for issuing securities for such other purposes?

☐ 5%, with the mandate to issue securities for other purposes retained at not more than 10% (or some other percentage) of the issued share capital? If yes, then what should the percentage of the issued share capital be for issuing securities for such other purposes?

☐ 10% for any purpose (including to issue securities for cash or (subject to your response to *Question 11.4*) to satisfy an exercise of convertible securities)?

☐ a percentage other than 10% for any purpose (including to issue securities for cash or (subject to your response to *Question 11.4*) to satisfy an exercise of convertible securities)? If you support this option, then please state the percentage you consider appropriate. _____

Please provide your comments and suggestions.

Question 11.3: Should the Exchange amend the current Rules so as to exclude from the calculation of the size limit the number of any securities repurchased by the listed issuer since the granting of the general mandate? (In other words, the listed issuer's issued share capital as at the date of the granting of the general mandate would remain the reference point for the calculation of the size limit, unless the general mandate is refreshed by the shareholders in general meeting.)

☐ Yes

☒ No

If yes, please provide your comments and suggestions.

Why do people want to take away the competitiveness of Hong Kong as a financial market to raise funds with flexibility and efficiency? *Reference has been made to UK law regarding "general mandates to dis-apply pre-emption rights" in the Consultation Paper.*

Question 11.4: Should the Exchange amend the current Rules such that:

(a) the application of the current prohibition against the placing of securities pursuant to a general mandate at a discount of 20% or more to the "benchmarked price" would apply only to placings of shares for cash;

(b) all issues of securities to satisfy an exercise of warrants, options or convertible securities would need to be made pursuant to a specific mandate from the shareholders; and

(c) for the purpose of seeking the specific mandate, the listed issuer would be required to issue a circular to its shareholders containing all relevant information?

☒ Yes
☐ No

Question 11.5: Do you have any other comments or suggestions in relation to general mandates? Please specify.

If shareholders' approval is obtained for an open offer or a rights issue, no overseas legal opinions should be required to exclude overseas shareholders. The reason is that it is no longer a pro rata offer to which Rule 13.36(2) applies. This should be the original intention: please refer to Section 57B of the Companies Ordinance, which is a section of similar effect but imposes criminal liability for non-compliance. The Listing Rules should be modified to make it clearer. Currently a number of Stock Exchange officers simply exercise their powers to misinterpret it.

Issue 12: Voting at general meetings

Question 12.1: Should the Exchange amend the Rules to require voting on all resolutions at general meetings to be by poll?

☐ Yes
☒ No

Question 12.2: If your answer to *Question 12.1* is "no", should the Exchange amend the Rules to require voting on all resolutions at annual general meetings to be by poll (in addition to the current requirement for voting by poll on connected transactions, transactions that are subject to independent shareholders' approval and transactions where an interested shareholder will be required to abstain from voting)?

☐ Yes
☒ No

Question 12.3: If your answer to *Question 12.1* is "no", should the Exchange amend the Rules so that, where the resolution is decided in a manner other than a poll, the listed issuer would be required to make an announcement on the total number of proxy votes in respect of which proxy appointments have been validly made together with: (i) the number of votes exercisable by proxies appointed to vote for the resolution; (ii) the number of votes exercisable by proxies appointed to vote against the resolution; (iii) the number of votes exercisable by proxies appointed to abstain on the resolution; and (iv) the number of votes exercisable by proxies appointed to vote at the proxy's discretion?

☒ Yes

☐ No

Question 12.4: In the case of listed issuers other than H-share issuers, the Rules currently require 14 days notice for the passing of an ordinary resolution and 21 days notice for the passing of a special resolution. 21 days notice is also required for convening an annual general meeting. In the case of H-share issuers, 45 days notice of shareholder meetings is required under the "Mandatory Provisions for Companies Listing Overseas" for all resolutions. Should the Exchange amend the Rules to provide for a minimum notice period of 28 clear calendar days for convening all general meetings?

☐ Yes

☒ No

If so, should the provision be set out in the Rules (as a mandatory requirement) or in the Code on Corporate Governance Practices as a Code Provision (and therefore subject to the "comply or explain" principle)?

The current requirements under the Listing Rules are the same as those in the Companies Ordinance. It is less confusing to have identical notice periods in the Listing Rules and the Companies Ordinance.

Reference has been made to UK law regarding "voting by poll" in the Consultation Paper.
The length of notice required to call a general meeting (reflecting the relevant provisions of the Companies Act 2006) is as follows.

Type of meeting	Private company	Public company	Combined Code
Annual general meeting	14 clear days	21 clear days	20 working days' notice
Other general meetings	14 clear days	14 clear days	-

Companies' articles are permitted to lengthen the minimum notice period required for general meetings: section 307(3). Note that the articles of companies formed before 1 October 2007 are particularly likely to require 21 days' notice for any general meeting at which either:
(i) one or more special resolutions are to be considered; or
(ii) a resolution appointing a person as a director is proposed.
Public companies need consent from all their members entitled to attend and vote in order to hold an AGM on shorter notice: section 337(2). For other general meetings consent to short notice is required from a majority in number of members entitled to attend and vote at the meeting together holding at least 95% of members entitled to attend and vote at the meeting: section 307(4)-(7). Neither of these levels can be changed by a public company's articles.

Where special notice is required for a resolution, that resolution will not be effective unless notice of the intention to move it has been given to the company at least 28 clear days before the meeting at which it is moved. Special notice is, for example, required to remove a director or to remove an auditor. The company must, where practicable, give its members notice of such a resolution in the same manner and at the same time as it gives notice of the meeting. Where this is impractical for the company, it must give notice by newspaper advert (or as otherwise permitted by articles) at least 14 clear days before meeting.

Question 12.5: If your answer to *Question 12.4* is "no", should the Exchange amend the Rules to provide for a minimum notice period of 28 clear calendar days for convening all annual general meetings, but not extraordinary general meetings (or, depending on the listed issuer's place of incorporation, special general meetings)?

☐ Yes

☒ No

If the answer is "yes", should the provision be set out in the Rules (as a mandatory requirement) or in the Code on Corporate Governance Practices as a Code Provision (and therefore subject to the "comply or explain" principle)?

A minimum notice period of 28 clear days for convening all general meetings is too harsh and unrealistic. Why do people want to take away the competitiveness of Hong Kong as an efficient financial market?

Question 12.6: Do you have any other comments regarding regulation by the Exchange on the extent to which voting by poll should be made mandatory at general meetings or the minimum notice period required for convening shareholders meetings?

See answer to Q12.4

Issue 13: Disclosure of information about and by directors

Question 13.1: Do you agree that the information set out in draft new Rule 13.51B should be expressly required to be disclosed by issuers up to and including the date of resignation of the director or supervisor, rather than only upon that person's appointment or re-designation?

☒ Yes

☐ No

Please provide reasons for your views.

It enhances transparency.

In the UK, LR9.6.13R requires a listco to notify a RIS of the following information in respect of any new director appointed to the board as soon as possible following the decision to appoint the director and in any event within five business days of the decision:

(1) details of all directorships held by the director in any other publicly quoted company at any time in the previous five years, indicating whether or not he is still a director;

(2) any unspent convictions in relation to indictable offences;

(3) details of any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company where the director was an executive director at the time of, or within the 12 months preceding, such events;

(4) details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where the director was a partner at the time of, or within the 12 months preceding, such events;

(5) details of receiverships of any asset of such person or of a partnership of which the director was a partner at the time of, or within the 12 months preceding, such event; and

(6) details of any public criticisms of the director by statutory or regulatory authorities (including designated professional bodies) and whether the director has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

Information required here is very similar to the items listed in Main Board Rule 13.51(2), but the period of directorship history is longer than 3 years under Main Board Rule, the range of investigation or proceedings by regulatory authorities in Main Board Rule goes further than "public criticisms" in the Listing Rules, and the Listing Rules does not expand the range of conviction and public criticisms as detailed as in the Main Board Rule.

Furthermore, LR9.6.14R, added by UKLA in Listing, Prospectus and Disclosure Rules (Miscellaneous Amendments) Instrument 2007, requires listco to, in respect of any current director, notify a RIS as soon as possible of:

(1) any changes in the information set out in LR 9.6.13R (2) to LR 9.6.13R (6); and (2) any new directorships held by the director in any other publicly quoted company.

It is clear that the disclosure obligation of such information arises following the appointment decisions

and continues up to and including the date of termination of directorship. Information regarding directors is regarded price-sensitive and could have material effect on the listco or market expectation on the listco, therefore the rationale for the continuous disclosure obligation regarding director's biographical information is to ensure the in-time disclosure of such information and to avoid potential market manipulation.

Question 13.2: Do you agree that the relevant information should be discloseable immediately upon the issuer becoming aware of the information (i.e. continuously) rather than, for example, only in annual and interim reports?

☒ Yes

☐ No

Please provide reasons for your views.

It is a more efficient way to control information of such nature and influence.

Question 13.3: Do you agree that, to ensure that the issuer is made aware of the relevant information, a new obligation should be introduced requiring directors and supervisors to keep the issuer informed of relevant developments?

☒ Yes

☐ No

Please provide reasons for your views.

Without such an obligation, how can the listed companies gather information to disclose?

In the UK, LR and DTR do not require director or supervisor to inform the listco of such developments, because such obligation to inform the company has been part of director's responsibility pursuant to the general terms of Director's service contract, Articles of Association of the listco and the Companies Act. It is also a way to prevent listco from raising "uninformed by its director" as an excuse for not complying with related disclosure requirements.

Question 13.4: Do you agree that paragraphs (u) and (v) of Main Board Rule 13.51(2) and GEM Rule 17.50(2) should be amended to clarify that the disclosure referred to in those Rules need not be made if such disclosure would be prohibited by law?

☒ Yes

☐ No

Please provide reasons for your views.

No one should be induced to breach the law. In the UK, LR and DTR do not set out such express exemption in terms of illegality for disclosure of director's conviction or public criticism, partly because the range of required disclosure is not as broad and detailed as in Main Board Rules, and partly because FSA does not want to introduce such express exemption to encourage unqualified application for exemption.

Question 13.5: Do you agree that the draft Rules at Appendix 13 will implement the proposals set out in *Questions 13.1, 13.2, 13.3 and 13.4* above?

☒ Yes

☐ No

Please provide reasons for your views.

Question 13.6: Do you agree that the Rules should be amended to clarify that issuers should publicly disclose in the Appointment Announcements their directors', supervisors' and proposed directors' and supervisors' current and past (during the past three years) directorships in all public companies with securities listed in Hong Kong and/or overseas?

☒ Yes

☐ No

Please provide reasons for your views.

It enhances transparency. *In the UK, LR set out more stringent requirement to ask the listco to disclose details of all directorships held by the director in any other publicly quoted company at any time in the previous five years, indicating whether or not he is still a director. The range of "publicly quoted company" is not confined to companies listed in UK only. The rationale is to ensure a reasonable track record of director available to investors.*

Question 13.7: Do you agree that Main Board Rule 13.51(2)(c) and its GEM Rules equivalent, GEM Rule 17.50(2)(c), should be amended to clarify that issuers should publicly disclose their directors', supervisors' and proposed directors' and supervisors' professional qualifications?

☒ Yes

☐ No

Please provide reasons for your views.

Professional qualifications and experience are the two key factors by which the public can judge the competence of the directors objectively. *In the UK, director's professional qualification is in the category of voluntary disclosure under UK regulation. In practice, most companies listed in Official List or AIM are keen to disclose such information in view of promoting more positive image of the company by presenting a board of professional members. Moreover, professional qualification is also required in Director's declaration and undertaking*

Question 13.8: Do you agree that the draft Rules at Appendix 13 will implement the proposals set out in *Questions 13.6 and 13.7* above?

☒ Yes

☐ No

Please provide reasons for your views.

Question13.9: Do you agree that Main Board Rule 13.51(2)(m)(ii) should be amended to include reference to the Ordinances referred to in GEM Rule 17.50(2)(m)(ii) that are not currently referred to in Main Board Rule 13.51(2)(m)(ii)?

☒ Yes

☐ No

Please provide reasons for your views.

This would achieve clarity and consistency. There are no similar provisions in the UK.

Question 13.10: Do you agree that Main Board Rule 13.51(2)(m) and GEM Rule 17.50(2)(m) should be amended so as to put beyond doubt that the disclosure obligation arises where a conviction falls under any one (rather than all) of the three limbs (i.e. Main Board Rule 13.51(2)(m)(i), (ii) or (iii) and GEM Rule 17.50(2)(m)(i), (ii) or (iii))?

☒ Yes

☐ No

Please provide reasons for your views.

This would achieve clarity and consistency. *There are no similar provisions in the UK.*

Question 13.11: Do you agree that the draft Rules at Appendix 13 will implement the proposal set out in *Questions 13.9 and 13.10* above?

☒ Yes

☐ No

Please provide reasons for your views.

Issue 14: Codification of waiver to property companies

Question 14.1: Do you agree that the Proposed Relief should provide relaxation of strict compliance with the shareholders' approval requirements of the Rules only to listed issuers that are actively engaged in property development as a principal business activity?

☒ Yes

☐ No

Please provide reasons for your views.

No drawback is envisaged in codifying the relief in the rules, which in itself is very narrow: Listed issuers actively engaged in property development as their principal business activity who engage in land or property development projects in Hong Kong from Government entities through Public auctions/tenders need not seek prior shareholder approval for engaging in such activity. Rationale for releif: Government entities do not generally accept bids from issuers who require shareholder approval (because of confidentiality and timing issues) and the intent of the relief seems to be to open-up the auction process for listed issuers. *The UK Listing Rules do not have a similar relief (although note UK Listing Rule 10.7.1 which provides guidance on significant transactions by property companies when applying the class tests under Chapter 10 of the UK Listing rules - altough it does not provide any reliefs).*

Question 14.2: Do you agree with the proposed criteria in determining whether property development is a principal activity of a listed issuer (described at paragraphs 14.12 and 14.13 of the Combined Consultation Paper)?

☒ Yes

☐ No

Please provide reasons for your views.

A comprehensive set of creiteria is considered by the Exchange.

Question 14.3: Do you agree that the scope of the Proposed Relief should be confined to acquisition of property assets that fall within the definition of Qualified Property Projects?

☐ Yes

☒ No

Please provide reasons for your views.

A Qulaified Property Project is defined as a land/property development project acquired in Hong Kong from the Government or Government controlled entitiy thorugh public auction/tender. It is very narrow and does not provide dispensation from shareholder approval for auctions of non-property assets or non-public auctions processes or property auctions overseas. It also does not appear to cover mainland China. Should it not extend to PRC?

Are you aware of any examples of Hong Kong listed issuers encountering difficulties in strict compliance with the Rules when participating in other types of auctions or tenders? If yes, please specify what are the problems faced by the listed issuers in participating in these auctions or tenders.

No.

Question 14.4: Do you agree that Qualified Property Projects which contain a portion of a capital element should qualify for relief from the notifiable transaction Rules set out in Main Board Chapter 14?

☐ Yes

☒ No

If yes, should the Proposed Relief specify a percentage threshold for the capital element within a project? Please provide reasons for your views.

Question 14.5: Do you agree that the scope of the exemption from strict compliance with Main Board Chapter 14A in relation to the shareholders' approval requirements for property joint ventures with connected persons should be limited to scenarios where the connected person is only connected by virtue of being a joint venture partner with the listed issuer in existing single purpose property projects?

☒ Yes

☐ No

Please provide reasons for your views.

Minority shareholder rights need to be protected and therefore the limitations are vital.

Question 14.6: Do you agree that the General Property Acquisition Mandate is useful to confer protection on shareholders and is necessary as regards property joint ventures with connected persons where the connected person is only connected by virtue of being a joint venture partner with the listed issuer in existing single purpose property projects (Type B property joint ventures)?

☒ Yes

☐ No

If yes, should the General Property Acquisition Mandate include any limit on the size of the Annual Cap by reference to some quantifiable thresholds? Please provide reasons for your views.

Such a threshold would be prudent - but cannot provide basis for setting such a threshold for purposes of the Annual Cap.

Question 14.7: Are the disclosure obligations described at paragraph 14.51 of the Combined Consultation Paper appropriate?

☒ Yes

☐ No

Please provide reasons for your views.

The relief is to enable listed issuers to participate in the bidding process for property development projects - and unless the project needs to remain confidential after successful conclusion of the auction, then there is no reason why the disclosure obligations under Main Board Rule 13.09 should not apply.

Question 14.8: Do you agree that the draft Rule amendments at Appendix 14 will implement the proposals set out in Issue 14 of the Combined Consultation Paper?

☒ Yes

☐ No

Please provide reasons for your views.

Issue 15: Self-constructed fixed assets

Question 15.1: Do you agree that the notifiable transaction Rules should be amended to specifically exclude any construction of a fixed asset by a listed issuer for its own use in the ordinary and usual course of its business?

☒ Yes

☐ No

Please provide reasons for your views.

No drawback is envisaged in providing the exemption being proposed. *Note the UK Listing Rule 10.7.3 provides an exemption from the notification provisions under Chapter 10 where the acquistion or disposal by a listed company of a property in the ordinary course of business which for an acquisition, will be classified as a current assett in the issuer's published accounts or for a disposal, was so classified in the issuer's published accounts.*

Question 15.2: Do you agree that the draft Rules at Appendix 15 will implement the proposal set out in *Question 15.1* above?

☒ Yes

☐ No

Please provide reasons for your views.

Issue 16: Disclosure of information in takeovers

Question 16.1: Do you agree that the current practice of the Exchange, i.e. the granting of waivers to listed issuers to publish prescribed information of the target companies in situations such as hostile takeovers, should be codified in the Rules?

☒ Yes

☐ No

Please provide reasons for your views.

No drawback is envisaged in having what is currently in practice being enshrined in the Rules - the practice itself seems logical.

Note,the UK practice regarding such takeovers can be found in the Takeover Code (the UK Listing Rules simply cover notification regarding significant transactions pursuant to the class tests as set out in Chapter 10).

Question 16.2: Do you agree the new draft Rule should extend to non-hostile takeovers where there is insufficient access to non-public information as well as hostile takeovers?

☒ Yes

☐ No

Please provide reasons for your views.

As per the response to 16.1, this is an eminently sensible practice - no drawback is envisaged in codifying it in the Rules.

Question 16.3: Paragraph (3) of the new draft Rule proposes that the supplemental circular must be despatched to shareholders within 45 days of the earlier of the following:

- the listed issuer being able to gain access to the offeree company's books and records for the purpose of complying with the disclosure requirements in respect of the offeree company and the enlarged group under Rules 14.66 and 14.67 or 14.69; and
- the listed issuer being able to exercise control over the offeree company.

Do you agree that the 45-day time frame is an appropriate length of time?

☒ Yes

☐ No

Please provide reasons for your views.

The length of time appears reasonable.

UK Listing Rule 13.4.3(3) provides for 28 days from the date of the offer becoming or being declared wholly unconditional.

Question 16.4: Do you have any other comments on the draft new Rule 14.67A at Appendix 16? Please provide reasons for your views.

Issue 17: Review of director's and supervisor's declaration and undertaking

Question 17.1: Do you agree that the respective forms of declaration and undertaking for directors and supervisors (i.e. the DU Forms) should be streamlined by deleting the questions relating to the directors' and supervisors' biographical details?

☒ Yes

☐ No

Please provide reasons for your views.

The information required to be dosclosed in the Appointment Announcement covers what is required to be dosclosed in the DU Forms, and the information to the public is more meaningful than that which is disclosed privately in the DU Forms. therefore deletion of information in the DU forms that is provided in the Appointment Announcement is acceptable.

Question 17.2: Do you agree that the DU Forms for directors should be amended by removing the statutory declaration requirement?

☒ Yes

☐ No

Please provide reasons for your views.

Acceptable as long as the Exchange has recourse against directors for false, incomplete and inaccurate statements - the Exchange states it does have recourse for such statements in the Rules (Main Board 2.13 and GEM 2.18).

Question 17.3: Do you agree that the GEM Rules should be amended to align with the practice of the Main Board Rules as regards the timing for the submission of DU Forms by GEM issuers, such that a GEM issuer would be required to lodge with the Exchange a signed DU Form of a director or supervisor after (as opposed to before) the appointment of such director or supervisor?

☒ Yes

☐ No

Please provide reasons for your views.

It achieves clarity and consistency.

Question 17.4: Do you agree that the Rules should be amended such that the listing documents relating to new applicants for the listing of equity and debt securities must contain no less information about directors (and also supervisors and other members of the governing body, where relevant) than that required to be disclosed under Main Board Rule 13.51(2) or GEM 13.50(2), as the case may be?

☒ Yes

☐ No

Please provide reasons for your views.

It achieves clarity and consistency.

Question 17.5: Do you agree that the application procedures should be amended as discussed in paragraph 17.20 to harmonise with the proposed amendments for the purpose of streamlining the respective DU Forms?

☒ Yes

☐ No

Please provide reasons for your views.

It seems logical.

Question 17.6: Do you agree that the draft Rules at Appendix 17 will implement the proposals set out in Issue 17 of the Combined Consultation Paper?

☒ Yes
☐ No

Please provide reasons for your views.

Question 17.7: Do you agree that a new Rule should be introduced to grant to the Exchange express general powers to gather information from directors?

☒ Yes
☐ No

Question 17.8: Do you agree that the draft paragraph (c) to the Director's Undertaking at Appendix 17 will implement the proposal set out in *Question 17.7* above?

☒ Yes
☐ No

Question 17.9: Do you agree that paragraph (e) of Part 2, Appendix 5B, and paragraph (d) of Part 2, Appendix 5H, of the Main Board Rules should be amended to include detailed provisions for service similar to those of the GEM Rules?

☒ Yes
☐ No

Question 17.10: Do you agree that the proposed amendment to paragraph (e) of the Director's Undertaking at Appendix 17 will implement the proposal set out in *Question 17.9* above?

☒ Yes
☐ No

Question 17.11: Do you agree that the Rules should be amended to make express the ability to change the terms of the Director's Undertaking without the need for every director to re-execute his undertaking?

☒ Yes
☐ No

Issue 18: Review of Model Code for Securities Transactions by Directors of Listed Issuers

Question 18.1: Do you agree with the proposed new exceptions to paragraph 7(d) of the Model Code?

☒ Yes
☐ No

Please provide reasons for your views.

The changes appear logical.

In the UK, (A) "Dealing where the beneficial interest or interests in the relevant security of the listed issuer do not change" - covered by the UK Model Code paragraph 2 (f). (B) "A director shareholder who places out his existing shares in a "top-up" placing where the number of new shares subscribed by him pursuant to an irrevocable, binding obligation equals the number of existing shares placed out and the subscription price (after expenses) is the same as the price at which the existing shares were placed out" - see UK Model code paragraph 2(d) though note, the UK Model code does not explicitly make reference to directors. (C) "bona fide gifts to a director by a third party" - covered by the UK Model Code paragraph 2 (o).

Question 18.2: Do you agree with the proposal to clarify the meaning of "price sensitive information" in the context of the Model Code?

☒ Yes
☐ No

Question 18.3: Do you agree that the draft new Note to Rule A.1 of the Code would implement the proposal set out in *Question 18.2* above??

☒ Yes
☐ No

Please provide reasons for your views.

It just says what everyone knows.

Question 18.4: Do you agree that the current "black out" periods should be extended to commence from the listed issuer's year/period end date and end on the date the listed issuer publishes the relevant results announcement?

☒ Yes
☐ No

Please provide reasons for your views.

It is understandable but may not be welcomed by the market. If directors cannot buy shares for most of

the time, will they still be willing to take up the directorship?

Note that the amendment to the black out period seems to be more restrictive than the "close period" under paragraph 1 (a) of the UK Model Code - however, the Exchange has provided justification at 18.15 in its Combined Consultation Paper stating "It would appear that the Proposal may be more restrictive than the provisions applicable in other relevant jurisdictions including the UK. The UK's fixed "black out" requirement specifies a maximum "black out" period of 60 days and a minimum "black out" period from the period end to the results announcement/annual report... it may be argued that, in practice, the UK Code operates much as the Proposal because there is evidence that UK companies tend to report more quickly than the set deadlines, in contrast the tendency of Hong Kong companies is to report on the deadline." I cannot determine whether the justification is sufficient.

Question 18.5: Do you agree that there should be a time limit for an issuer to respond to a request for clearance to deal and a time limit for dealing to take place once clearance is given?

☒ Yes
☐ No

Question 18.6: Do you agree that the proposed time limit of 5 business days in each case is appropriate?

☒ Yes
☐ No

Please provide reasons for your views.

The time limit appears reasonable. The proposal conforms to UK Model Code paragraphs 5 - 7.

Minor Rule amendments

The Exchange invites your comments regarding whether the manner in which the proposed minor Rule amendments set out in Appendix 19 have been drafted will give rise to any ambiguities or unintended consequences.

The drafting appears to be satisfactory.

Do you have any other comments in respect of the issues discussed in the Combined Consultation Paper? If so, please set out your additional comments.

No.

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