



10 April 2008

By post & fax 2295 3106

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Dear Mr Williams

Combined Consultation Paper on Proposed Changes to the Listing Rules

Thank you for your letter of 11 January 2008.

The Consultation Paper sets out various substantive policy issues along with proposed consequential amendments to the Listing Rules of the Main Board and the Growth Enterprise Market (GEM) (collectively 'Rules') which aim to address market developments and to clarify certain existing Rules. With a view to facilitating the overall operation efficiency of the proposals set out in the Consultation Paper, we would like to put forward the following comments for your consideration:

1. Issue 2 - Information gathering powers

It is proposed that general powers be given to the Exchange to gather information from listed issuers which the Exchange considers appropriate to protect investors or ensure the smooth operation of the market and any other information or explanation that it may reasonably require for verifying compliance with the Rules. The proposed rule is more general and has a wider scope than the existing one. It is not clear, however, from the consultation paper whether the additional rule is necessary for practical reasons or whether it is intended to align with international practice, and if so, whether the proposed scope is similar to that of the relevant jurisdictions. In ensuring that such power would be exercised in a transparent manner consistent with the policy intent, there should be a mechanism to require the Exchange to give the reasons behind each request made under the revised Rule.

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

The Rules in their current form are primarily rules of principles, requiring in practice a degree of interpretation for a particular situation. If the Exchange is to adopt a different approach of post-publication scrutiny and enforcement in place of pre-vetting, there should be a formal mechanism in place to allow listed issuers to seek guidance from the Exchange regarding the interpretation of a particular Rule to prevent inadvertent breaches.

3. Issue 8 - Disclosure of changes in issued share capital

3.1 We query the practicability of the proposed next day disclosure regime (i.e. by 9:00 a.m. on the morning of the next business day) to be observed by issuers in case of a change in share capital, particularly for those issuers with multiple listings, and in respect of certain transactions e.g. exercise of options by third parties. Furthermore, the proposed next day disclosure regime is more stringent than the Securities and Futures Ordinance which requires exercise of share options by directors to be disclosed within 3 business days, rather than the next business day.

3.2 As a matter of principle, the de minimis threshold should also apply to the categories of 'exercise of option by director' and 'change in issued share capital not falling within any of the above categories'.

3.3 We have the following specific comments with regard to the revised 'Draft Next Day Disclosure Return for Equity Issuers' (Appendix 8B on page 156):

- The term 'closing market practice per share' should be clarified as to whether it means the closing price on the day before, or the day of, the issue of shares.
- For certain transactions like scrip dividend and share option where the prices are pre-determined, it may not be relevant to compare the '% discount of issue price to market price'.
- The revised return should allow a choice to attach documents to cater for global listed issuers with different types of capital in different currencies.
- We consider that the existing timeline – 10 days to complete the return – should be retained to allow sufficient time for preparation by issuers.

4. Issue 12 - Voting at general meetings

To require voting by poll for all resolutions or, as an alternative, to require publication of details of proxy votes, would impose an excessive administrative burden on issuers given the time and costs that may be incurred.

5. Issue 13 - Disclosure of information about and by directors

The proposed requirement to make disclosure of certain information about directors on a continuous basis would inevitably create an excessive administrative burden on the listed issuers especially when the information concerned is not readily available or can only be collected manually. It should be sufficient for the listed issuers to make disclosure of such information at fixed intervals (e.g. annually or half-yearly).

6. Issue 17B - Information gathering powers of the Exchange

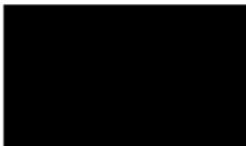
Given that the Exchange is already empowered to gather information from listed issuers and since an individual in the capacity of a director can only provide such information in the name of the issuer concerned, it is not appropriate to impose an obligation or duty on the directors to provide the information to the Exchange as required by means of an express provision in the Director's Undertaking.

7. Issue 18 - Review of Model Code for Securities Transactions by Directors of Listed Issuers

The proposal to equate the meaning of 'price sensitive information' to the information currently described in Main Board Rule 13.09(1) would have the potential effect of giving the listed issuers less time and flexibility to make disclosure of the information of a much wider scope. We suggest that the proposal should be reviewed in light of its workability for issuers.

We hope that the above comments are helpful. Please feel free to contact us for any questions.

Yours sincerely



Eva Wong/
Secretary