

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please make your comments by replying to questions below against proposed changes discussed in the Consultation Paper at the hyperlink: http://www.hkex.com.hk/consul/paper/cp200907_e.pdf.

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

Introduction

Hermes is one of the largest pension fund managers in the City of London and is wholly owned by the BT Pension Scheme. As part of our Equity Ownership Service, we also respond to consultations on behalf of many other clients from around the world, including the BBC Pension Trust, Ireland's National Pension Reserve Fund, Denmark's PKA, Canada's Public Sector Pension Investment Board and Lothian Pension Fund. Hermes EOS has assets under advice of over US\$ 65billion (as at 31st March 2009).

Hermes takes a close interest in matters of company law and regulation because they set the context for the exercise of our clients' rights as part-owners of the companies in which they invest. We seek to safeguard our clients' current rights and also to enhance the transparency and accountability of companies and their directors to their long-term owners. To minimise risk to our clients we believe that the markets in which they invest should be transparent and efficient and that regulators should ensure that their actions encourage these aims.

We would like to highlight our views with regards to the two proposals and other related house-keeping amendments contained in the consultation paper. First, with regards to the proposal of shortening notice period for book closure to five business days from the previous 14 calendar days, we do not feel this is in the interests of investors. While we understand that further flexibility in fund-raising is required to accommodate the individual circumstances of companies, we believe that investors require a reasonable amount of time to investigate and analyse such a proposal. In comparison to international practices, we think that the proposed notice period is very tight, and this might lead to negative operational impacts for investors in this regard.

Second, we are supportive of the proposal to specify the subscription period for rights issues and open offers as 10 business days reduced from the current 14 calendar days. We believe this would provide greater certainty when the time-table for the fund-raising overlaps long public holidays.

Individual Questions

Consultation Questions on Notice Period for Book Closure

1. Do you agree to our proposal to shorten the notice period for book closure for a rights issue or an open offer from 14 calendar days to five business days?

Yes

No

Please provide reasons to support your view.

No, we believe that investors require reasonable amount of time to investigate and analyse any such proposal. In comparison to international practices, we think that the proposed notice period is very tight, and this might lead to negative operational impacts for investors in this regard.

2. In the case of a rights issue or an open offer, do you agree to our proposal to require extension of the notice period by postponing the book closure date, if necessary, to provide the market with a minimum of two uninterrupted trading days for trading in cum-rights securities during the notice period if, for examples, trading on the Exchange is interrupted due to typhoon and/or a black rainstorm warning or trading of the issuer's securities is suspended?

Yes

No

Please provide reasons to support your view.

Yes, we think it is sensible to set exceptions to extend the notice period in case of the events that were highlighted in the consultation paper.

3. If your answer to question 2 is "Yes", do you agree that the proposed draft rule amendments in Appendix II will implement our proposal(s)?

Yes

No

Please provide reasons to support your view.

No, for the same reason as question 1, we oppose the proposal.

4. Do you agree to our proposal to amend the notice period for book closure (in cases other than a rights issue or an open offer) from 14 calendar days to 10 business days?

Yes

No

Please provide reasons to support your view.

Yes, we understand that the change is technical, and that the notice period is at the existing level.

5. Do you agree to our proposal to amend the notice period for alteration of book closure date from six calendar days to five business days?

Yes

No

Please provide reasons to support your view.

Yes, we understand that the notice period is not shortened by the proposal.

6. Do you agree to our proposal to clarify the rule that if an issuer changes the book closure date, it must give notice at least five business days before the originally announced closure or the newly proposed closure, whichever is earlier?

Yes

No

Please provide reasons to support your views.

Yes, we think the clarification is reasonable.

7. Are there any other comments you would like to make?

Yes

No

If your answer is “Yes”, please state below.

Consultation Questions on Subscription Period

8. Do you agree to our proposal to amend the minimum subscription period for rights issues and open offers from 14 calendar days to 10 business days?

Yes

No

Please provide reasons to support your view.

Yes, we believe this would provide greater certainty when the time-table for the fund raising overlaps long public holidays.

9. Do you agree to our proposal to amend the maximum subscription period for rights issues and open offers (over which the issuer must consult the Exchange) from 21 calendar days to 15 business days?

Yes

No

Please provide reasons to support your view.

Yes, for the same reason as question 8, we support this proposal.

10. Are there any other comments you would like to make?

Yes

No

If your answer is “Yes”, please state below.

- End -