

By Mail

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Corporate Communications Department
Hong Kong Exchanges and Clearing Ltd
12/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs

Consultation Paper on
Proposed Changes to the Connected Transaction Rules

Reference is made to "Consultation Paper on Proposed Changes to the Connected Transaction Rules" issued by Hong Kong Exchanges and Clearing Ltd in October 2009.

My views on some of the proposals in the Consultation Paper are as follows:

Question 1: Do you think that the definition of connected person should exclude persons connected by virtue of their relationship with an issuer's subsidiaries?

View: No. There should not be an outright exclusion, for doing so will mean too quick a relaxation. Protection offered to the investing public will be insufficient. It may be possible to exclude some persons connected at some subsidiaries which are smaller or less important, but the criteria will need to be decided very carefully. Before a consensus can be reached on those criteria, there should not be too quick a decision to relax.

Question 2: If your answer to question 1 is "Yes", do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal? If your answer is "No", please provide reasons and alternative views.

View: If we separately treat a subsidiary which is a "major subsidiary" or an "insignificant subsidiary", this is possible. But the criteria will need to be decided upon after very careful consideration. Before a consensus can be reached in relation to those criteria, there should not be too quick a decision to relax.

Question 8:

(a) For the exemption from independent shareholders' approval requirement, do you support the proposal to revise the percentage threshold to 5%? If your answer is "No", please specify the percentage threshold that you consider appropriate.

(b) For the exemption from all reporting, announcement and independent shareholders' requirements, do you support the proposal to revise the percentage threshold to 1%? If your answer is "No", please specify the

percentage threshold that you consider appropriate.

View: No. The two thresholds should at least be 2.5% / 0.1%. If we believe that connected transactions are something that our regulatory procedures need to impose requirements for the protection of investors, both the listed companies and the regulators should do their job properly and monitor carefully without making exceptions too easily. Only transactions which really are small and negligible should be excepted. The proposed thresholds of 5% / 1% are not small at all, especially for big companies. If the administrative burden and cost for complying with the reporting, announcement and independent shareholders' requirements is practicable even for small listed companies (in particular, those small companies that have to comply for any transactions exceeding HK\$10,000,000 / HK\$1,000,000, without the benefit of the 2.5% / 0.1% thresholds because the companies are small), then it is difficult to see why big companies cannot similarly comply fully. If there is a dollar threshold, the existing thresholds of HK\$10,000,000 / HK\$1,000,000 should remain unchanged (i.e. take the lower of 0.1% and HK\$1,000,000 for exception of reporting, announcement and independent shareholders' requirements; and the lower of 2.5% and HK\$10,000,000 for exception of independent shareholders' requirements).

Finally, thank you for all the efforts of the Exchange Company in upholding the standard of the market.