

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/cp200910ct_e.pdf.

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

A. Transactions with persons connected with an issuer only by virtue of their relationship with the issuer's subsidiaries

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

Yes

No

Please provide reasons for your views.

=> The current requirement is unduly burdensome, restrictive, and does not serve the purpose of the Rules as it does not necessarily ensure protection of the minority shareholders but create unnecessarily onerous and cost-ineffective compliance obligations not in line with international standards or accounting standards regulating related party transactions. To achieve the objective of enhancing competitiveness of the Exchange as an international listing venue and maintaining quality of the Hong Kong securities market, this definition has to be relaxed.

=> If the Exchange concluded that persons connected by virtue of their relationship with an issuer's subsidiaries are to be excluded as "connected persons", transactions with such persons might still be subject to compliance obligations under the Listing Rules if they are sufficiently significant for the issuer as to qualify as notifiable transactions under Chapter 14.

=> A complete relaxation at one time may encourage widespread abuse. A gradual approach could be a more appropriate solution.

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?

Yes

No

If your answer is "No", please provide reasons and alternative views.

As stated in our response to Q1, the proposed amendments might lead to widespread market abuse and a gradual approach (such as one we are proposing in our response to Q3 below) might be more appropriate.

3. On the basis that the definition of connected person will continue to include person connected at the subsidiary level, do you agree with the proposal to introduce an “insignificant subsidiary exemption” for connected transactions?

Yes

No

Please provide reasons for your views.

We do not support introducing an “insignificant subsidiary exemption” for the following reasons:

=> whether a subsidiary is “significant” or not to the issuer might have no direct bearing on the degree of influence which the connected person(s) at that subsidiary might exert over the issuer’s actions and affect the minority shareholders’ interests. In other words, it does not necessarily follow that just because the subsidiary in question is “insignificant” (by whatever standard it is measured under the revised Rules), the influence which the connected person(s) has (have) at that subsidiary level would necessarily be immaterial and minority shareholders’ interests would necessarily be non-existent;

=> where the connectedness is at the subsidiary level, even for transactions triggering the most onerous compliance obligations, i.e. to seek approval from issuer’s independent shareholders with the support of an opinion of an independent financial advisers contained in a shareholders’ circular, minority shareholders’ interests at the issuer level are not any more affected or protected by maintaining such definition. Such connected person would still be unable to influence the outcome of the issuer’s resolution since its interest is confined at the subsidiary level;

=> the proposed test for defining “insignificant subsidiary” might introduce new uncertainty and ambiguity, in terms of technical interpretation and application and administration; and

=> as an alternative to introducing an “insignificant subsidiary exemption”, the Exchange might wish to consider modifying the existing exemption regime for connected transactions arising at subsidiary levels by setting a different *de minimis* threshold for such transactions, by setting the threshold at levels which are higher than those for connected transactions at issuer level (i.e. 0.1% and 2.5%) but lower than those for Chapter 14 notifiable transactions (i.e. 5% and 25% and above), e.g. 2.5% for announcement and 12.5% for obtaining “independent” shareholders’ approval. The merits of such approach are manifold: curbing of possible abuse of the relaxation; familiarity of the issuers and practitioners with this regime; ease of administering and applying the new approach; avoiding any uncertainty which might arise from application of new calculations in order to determine whether a subsidiary is “insignificant” or not at the outset; and allowing compliance obligations to be triggered only in more significant transactions (measured by tests issuers are familiar with) set at a more practical level which could not only highlight the key distinguishing factor that interests of minority shareholders at the issuer’s subsidiary level are not aligned with those of the minority shareholders at the issuer’s level and but also justify reaching out to issuer’s independent shareholders for their determination of whether or not to proceed with such transactions .

4. Based on your experience, do you think that the “insignificant subsidiary exemption” would be used by you (or for market practitioners, your clients)?

Yes

No

Please describe the circumstances and refer to Option 1 or 2.

For the reasons given in response to 4. above, adoption of such exemption is not preferred.

5. If your answer to question 3 is “Yes”, do you agree with

(a) the proposed materiality threshold under (i) Option 1 or (ii) Option 2?

Yes (*please choose one of the following options*)

Option 1

Option 2

No

Please provide reasons for your views.

N/A. For the reasons given in response to 4. above, adoption of such exemption is not preferred.

(b) the proposed bases for assessing the significance of a subsidiary, i.e. the asset ratio, revenue ratio and the profits ratio?

Yes

No. The significance of a subsidiary should be determined by (*please specify*): _____

Please provide reasons for your views.

N/A. For the reasons given in response to Q4. above, the adoption of such exemption is not preferred.

(c) the proposed additional safeguard to require the consideration ratio be less than 10% if an “insignificant” subsidiary concerned is itself a party to the transaction or its securities/assets are the subject of the transaction?

Yes

No

Please provide reasons for your views.

N/A. For the reasons given in response to Q4. above, the adoption of such exemption is not preferred.

(d) the proposed mechanism for applying the exemption to continuing connected transactions described in paragraph 27 of the Consultation Paper?

Yes

No

Please provide reasons for your views.

N/A.

6. If your answers to question 5 are “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If you answer is “No”, please provide reasons and alternative views.

N/A. For the reasons given in response to Q4. above, adoption of such “insignificant subsidiary exemption” is not preferred.

7. If you agree with Option 2, do you think that the definition of “major subsidiary” under Rule 13.25 should be amended to align with that in the “insignificant subsidiary exemption” if adopted?

Yes

No

Please provide reasons for your views.

N/A. We do not support the concept of “insignificant subsidiary”.

B. De minimis thresholds that trigger disclosure or shareholders’ approval requirement for connected transactions

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.

Yes

No. The percentage threshold should be (*please specify*): _____

Please provide reasons for your views.

=> We support the proposal to raise the *de minimis* threshold from 2.5%.
=> It is not apparent from this Consultation Paper what compliance obligations would ensue where the *de minimis* exemption is unavailable in other jurisdictions such as UK, Singapore and Australia.
=> The question of what would be an appropriate level depends on the outcome of this current consultation on other issues addressed in this Consultation Paper, in particular those covered in Q1 (how connected transactions at subsidiary level would be treated) and Q12 (whether connected transactions govern revenue transactions with connected persons) and it would be helpful to appreciate the types of compliance requirements which would apply in other markets in cases where the *de minimis* exemption is unavailable.

- (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.

Yes

No. The percentage threshold should be (*please specify*): _____

Please provide reasons for your views.

=> We support the proposal to raise the *de minimis* threshold from 0.1%.
=> The question of what would be an appropriate level depends on the outcome of this current consultation on other issues addressed in this Consultation Paper, in particular those covered in Q1 (how connected transactions at subsidiary level will be treated) and Q12 (whether connected transactions govern revenue transactions with connected persons).
=> In our response to Q3, we suggested the adoption of different *de minimis* thresholds for connected transactions where the connectedness arises at the subsidiary level only. The 1% threshold might be appropriate for transactions where the connectedness arises at issuer level but inappropriate for transactions where connectedness arises at subsidiary levels only.

9. If your answer to question 8 is "Yes", do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is "No", please provide reasons and alternative views.

Reasons are as stated in response to Q8.

10. Do you agree that a percentage threshold is sufficient to assess whether a connected transaction is eligible for the *de minimis* exemptions?

Yes

No

Please provide reasons for your views.

We support the arguments set out in paragraphs 42 and 43 of the Consultation Paper and would think that any imposition of an absolute monetary cap to the *de minimis* exemptions would not only defeat the purpose of, and the logic for, adopting the size tests, but also deviate from international standards.

11. Do you believe that an absolute monetary cap should also be imposed, irrespective of the percentage threshold test for *de minimis* exemptions? If your answer is yes, please specify the monetary cap that you consider appropriate for fully exempt connected transactions (the monetary cap for connected transactions exempt from independent shareholders' approval would be adjusted proportionately).

Yes. The monetary cap for fully exempt connected transactions should be:

- HK\$100 million
 HK\$200 million
 HK\$500 million
 HK\$1,000 million
 Other monetary cap (*please specify*): HK\$ _____

No

C. Transactions that are revenue in nature and in the ordinary and usual course of business

12. Do you agree that the connected transaction Rules should govern revenue transactions with connected persons?

Yes

No

Please provide reasons for your views.

We support the view to bring the relevant Rules in line with international norms and propose that all revenue transactions conducted on normal commercial terms and in the ordinary and usual course of business of the issuer should be exempt from connected transaction requirements.

Proposed exemption for revenue transactions with associates of a passive investor

13. Do you agree with the proposed exemption for revenue transactions with associates of a substantial shareholder who is a passive investor in the issuer group?

Yes

No

Please provide reasons for your views.

We agree with the reasons given in our response to Question 12 above.

14. Do you think that the proposed exemption should also require the substantial shareholder be a passive investor in the relevant associate, for example, it is not involved in the management of the relevant associate?

Yes

No

Please provide reasons for your views.

For the reasons given in our response to Question 12 above, we propose that all revenue transactions conducted on normal commercial terms and in the ordinary and usual course of business of the issuer should be exempt from connected transaction requirements.

15. If your answer to question 13 is "Yes",
- (a) do you agree that the passive investor must be a sovereign fund or an authorised unit trust or mutual fund?

Yes

No

Please provide reasons for your views.

No comment.

- (b) do you think that the exemption should be made available to other passive investors? If so, which?

Yes. The exemption should be made available to *(please specify)*:

[REDACTED]

No

Please provide reasons for your views.

For the reasons given in our response to Question 12 above, we propose that all revenue transactions conducted on normal commercial terms and in the ordinary and usual course of business of the issuer should be exempt from connected transaction requirements.

(c) do you agree that the passive investor must not have representative on the board of directors of the issuer and its subsidiaries?

Yes

No

Please provide reasons for your views.

For the reasons given in our response to Question 12 above, we propose that all revenue transactions conducted on normal commercial terms and in the ordinary and usual course of business of the issuer should be exempt from connected transaction requirements and the consideration of whether the passive investor has representation on the board of directors of the issuer or its subsidiaries is a neutral factor.

(d) do you agree with other proposed conditions set out in paragraph 59 of the Consultation Paper?

Yes

No

Please provide reasons for your views.

For the reasons given in our response to Question 12 above, we propose all revenue transactions conducted on normal commercial terms and in the ordinary and usual course of business of the issuer should be exempt from connected transaction requirements and imposition of conditions would not be appropriate.

16. If your answer to question 13 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A. For the reasons given in our response to Question 12 above, we propose that all revenue transactions conducted on normal commercial terms and in the ordinary and usual course of business of the issuer should be exempt from connected transaction requirements.

Proposed modification of the exemption for provision of consumer goods or consumer services

17. Do you agree with the proposed changes to expand the exemption for acquisition of consumer goods or services described in paragraph 66 of the Consultation Paper?

Yes

No

Please provide reasons for your views.

Without prejudice to our position that all revenue transactions conducted on normal commercial terms and in the ordinary and usual course of business of the issuer should be exempt from connected transaction requirements, we (i) agree with the reasons set out in the Consultation Paper, and (ii) suggest that the proposed changes should be further expanded to cover acquisition of consumer goods or services by the “connected persons” (and not just the issuer).

18. If your answer to question 17 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A.

19. Can you think of any other suggestions to improve the regulation of revenue transactions with connected persons?

Yes

No

If your answer is "Yes", please elaborate your views.

We propose that all revenue transactions conducted on normal commercial terms and in the ordinary and usual course of business of the issuer should be exempt from connected transaction requirements. Without prejudice to our foregoing position, we propose that the current 1% threshold under Rule 14A.31(7)(d) should be increased to at least 5%.

D. Definition of associate

(1) Definition of associate in Rule 1.01 (for non-PRC issuer) and Rule 19A.04 (for PRC issuer)

20. Do you support the proposal to carve out from the definition of associate the following entities?

(i) The holding company of the investee company or a fellow subsidiary of this holding company described in paragraph 68(e) of the Consultation Paper.

Yes

No

(ii) A company controlled by the investee company (not being a subsidiary of the investee company) described in paragraph 68(f) of the Consultation Paper and this company's subsidiary, holding company and fellow subsidiary.

Yes

No

Please provide reasons for your views.

We agree with the reasons set out in the Consultation Paper.

21. If your answer to question 20 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A.

(2) Extended definition of associate in Rule 14A.11(4)

22. Do you agree with the proposed extension of the definition of associate to a company in which a connected person’s relative has a majority control as described in paragraph 74 of the Consultation Paper?

Yes

No

Please provide reasons for your views.

The current definition of “associate”, together with the Exchange’s power under Rules 14A.06 and 14A.11(4) to deem a person to be connected, already provides an effective safeguard to protect minority interests. We do not support the proposed extension of the definition of associate as described in paragraph 74 of the Consultation Paper, it being unduly onerous and unnecessary.

23. If your answer to question 22 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A

E. Definition of connected person

(1) Non wholly-owned subsidiary

24. Do you agree with the proposed exemption for (i) transactions between a connected subsidiary and any of its own subsidiaries; and (ii) transactions between any subsidiaries of the connected subsidiary?

Yes

No

Please provide reasons for your views.

We agree with the reasons set out in the Consultation Paper.

25. If your answer to question 24 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A.

26. Do you agree that a non wholly-owned subsidiary should not be regarded as a connected person in the circumstances described in paragraphs 81(a) and (b) of the Consultation Paper?

Yes

No

Please provide reasons for your views.

We agree with the reasons set out in the Consultation Paper.

27. If your answer to question 26 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A.

(2) Promoter of a PRC issuer

28. Do you support the proposal to delete “promoter” of a PRC issuer from the definition of connected person?

Yes

No

Please provide reasons for your views.

No comment.

29. If your answer to question 28 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

No comment.

(3) PRC Governmental Body

30. Do you support the proposal to apply those provisions for PRC Governmental Body in Chapter 19A to connected persons of non-PRC issuers?

Yes

No

Please provide reasons for your views.

No comment.

31. If your answer to question 30 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

No comment.

(4) Management shareholder of a GEM issuer

32. Do you support the proposal to delete “management shareholder” from the definition of connected person in the GEM Rules?

Yes

No

Please provide reasons for your views.

No comment.

33. If your answer to question 32 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

No comment.

F. Other changes to the connected transaction Rules

(1) Exemption for small transaction involving issue of new securities by subsidiary

34. Do you agree with the proposal to remove the restriction on applying the de minimis exemptions to an issue of securities by the issuer’s subsidiary?

Yes

No

Please provide reasons for your views.

We agree with the reasons set out in the Consultation Paper.

35. If your answer to question 34 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A.

(2) Exemption for financial assistance provided on a pro-rata basis

36. Do you agree with the proposal to clarify that the exemption under Rule 14A.65(3)(b)(i) will apply where the commonly held entity is also a connected person?

Yes

No

Please provide reasons for your views.

We agree with the reasons set out in the Consultation Paper.

In addition, we ask that the Exchange considers amending the relevant Rules and clarify that where such commonly held entity or connected person is a listed entity (in Hong Kong or elsewhere) or an entity (listed or otherwise) with minority interest playing a passive (or nominal) role for local legal compliance requirements, the public stake of such listed entity or the minority interest of such (listed or otherwise) entity, respectively, should be excluded when deciding if the financial assistance is being provided by the listed issuer on a pro rata basis for the purpose of the exemption under Rule 14A.65(3)(b)(i).

As a separate but related matter, we propose for consideration of the Exchange to amend:

(i) Rules 14A.65(2)(b) and 14A.65(3)(b) – to codify the market practice that intra-group shareholder’s loans extended on an interest-free basis are capable of being treated as made on “normal commercial terms”; and

(ii) Rule 14.15(2)(a) – to cater for situations where a listed issuer’s total capital commitment referred thereunder is not equivalent to the total investment of the joint venture since the level of permitted commitment would in turn depend on the local legal or policy requirements as are applicable from time to time, e.g. under the current PRC governmental policy, shareholders’ loans are effectively not permitted for foreign investment enterprises which are engaged in property investments and are established after 1 June 2007, and not all listed issuers have to provide credit support for external financing sought from independent financial institutions to fund the difference between total investment and registered capital of such enterprises.

37. If your answer to question 36 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A.

(3) Transactions with third parties involving joint investments with connected persons

38. Do you agree with the proposal to extend the exemption under Note 3 to Rule 14A.13(1)(b)(i) to disposal transactions mentioned in paragraph 108 of the Consultation Paper?

Yes

No

Please provide reasons for your views.

We agree with the reasons set out in the Consultation Paper.

39. If your answer to question 38 is “Yes”, do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is “No”, please provide reasons and alternative views.

N/A.

(4) Annual review of continuing connected transactions

40. Do you agree with the proposed Rule amendments to clarify that the annual review requirements apply to continuing connected transactions that are subject to reporting and disclosure requirements in Chapter 14A?

Yes

No

Please provide reasons for your views.

This will clarify that the annual review requirements set out in Rules 14A.37 and 14A.38 would not apply to continuing connected transactions which are exempt from reporting, disclosure and independent shareholders' approval requirements.

41. If your answer to question 40 is "Yes", do you agree that the proposed draft Rule amendments in Appendix I to the Consultation Paper will implement our proposal?

Yes

No

If your answer is "No", please provide reasons and alternative views.

N/A.

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

Yes

No

If your answer is "Yes", please elaborate your views.

We would to table additional areas in Chapter 14A for consideration by the Exchange as follows:

(i) *New exemption for connected transaction resulting in no change in accounting interest* – it has been noted that group reorganisations are becoming more and more prevalent in the recent years. Some such reorganisations might involve connected persons of issuers, where the accounting treatment or ultimate attributable equity interest of the issuer and of the connected persons would remain unchanged and resulting in no change in the financial position of the parties involved before and after such reorganisations even though there is technically involved a transfer of assets. An amendment of the Rules to clearly acknowledge the Exchange's intention not to apply the compliance requirements whether under Chapter 14 or 14A to such reorganisations would be helpful.

(ii) *Extending the scope of exemption under Rule 14A.65(3)(b)* – this exemption currently only applies to companies falling under Rule 14A.13(2)(a)(ii) which involves companies in which both the listed issuer and a connected person are shareholders, where any connected person(s) at the listed issuer level is/are entitled to

exercise 10% or more of the voting power at any general meeting of such company and the listed issuer is providing assistance pro rata to its equity interest in the company on a several basis. It is submitted that such exemption should be extended to apply to companies which are also connected persons by virtue of the connected person-shareholder's equity interest of 30% or more subject to satisfaction of two conditions: such connected person-shareholder is (i) only connected at the subsidiary level; and (ii) also providing financial assistance pro rata to its equity interest in such company on equivalent terms as the listed issuer thereby pre-empting any suggestion of the connected person-shareholder exerting influence over the listed issuer in order to gain any benefit over the listed issuer. Otherwise, full compliance obligations under Chapter 14A could be triggered even when the connected person-shareholder and listed issuer are providing similar financial assistance pro rata to their equity interest but otherwise on identical terms – a result which cannot be intended by the Rules.

(iii) *Removal of Rule 14A.56(5)* – we have experienced difficulty in eliciting cooperation from connected persons (especially those at subsidiary levels who are not listed corporations themselves) in the disclosure to us of their original purchase cost of assets which are being sold to our group. Apart from connected persons' resistance to disclose, there is also our difficulty in verifying the accuracy of the information so supplied. If this remains a rigid disclosure requirement, unavailability thereof means the issuer would have to seek a waiver from the Exchange to either dispense with such requirement altogether or on condition that the issuer would continue its efforts to secure the information in the shareholders' circular, if one is required. The Exchange might have to consider qualifying the disclosure requirement and make that subject to the information being available to the issuer upon the use of issuer's reasonable efforts to secure the same.

(iv) *Amendment to Rule 14A.26* - The Exchange might wish to amend Rule 14A.26 (and Rule 14.23) to give guidance on the application of the aggregation rule, e.g. aggregation would not be required where individual connected transactions are completed within a 12-month period of each other, but are otherwise conducted independent of each other (i.e. the each transaction is conducted not in contemplation of a subsequent or earlier transaction of similar nature) or carried out pursuant to open tenders or offers made by the issuer on terms and with mechanics which safeguard equal treatment of all participants in such tenders or offers (whether the participants are connected persons or not).

(v) *Amendment to Rule 14A.49* – The Exchange might wish to consider limiting the requirement to send shareholders' circulars in accordance with the provisions of Chapter 2 (in particular the mailing of hard copies to shareholders and the Exchange) only to cases where independent shareholders' approval at general meetings is to be sought but not where shareholders' meeting waiver is available pursuant to Rule 14A.43. Issuing these circulars electronically should suffice.

(vi) *Amendment to Rule 14A.35(1)* – The underlying assumptions in this rule are: written agreements with connected persons of a continuing nature must have fixed periods of not exceeding 3 years unless there are “special circumstances” requiring the contract to be of a duration longer than 3 years; and if the periods are for longer, as explained by an independent financial adviser (*IFA*), that is necessarily the “normal business practice” for contracts of this type to be of such duration.

In practice:

=> more and more commercial contracts do not have fixed periods as such. They may be expressed to continue until and unless they are terminated by either party giving notice to terminate and the contracts may sometimes specify minimum notice periods and/or the minimum period of operation of the contract before any such termination notices may be given. Does the Exchange consider these contracts as ones for less than 3-year fixed terms?

=> more often than not, it is in the interests of the issuer to have flexibility in the duration of the contracts. The requirement of a maximum 3-year fixed period (or an IFA opinion for non-exempt continuing connected transactions) serves little purpose.

=> the Rule presumes that the only explanation which an IFA can offer to justify a longer than 3-year period for any continuing connected transaction is because it is the “normal business practice” to do so. More often than not, this presumption does not hold true.

(vii) *Amendment to Rule 14A.41* - The following requirements are too onerous and relaxation as proposed should be considered:

=> to require issuers to “immediately upon” becoming aware of any agreement involving continuing transactions becoming continuing connected transactions “for whatever reason” to comply with all applicable reporting and disclosure requirements is unreasonable. As the number of agreements involving continuing transactions for any issuer engaged in trading activities of any description is potentially large. To keep track of the “connectedness” of each counterparty that the issuer group deals with who could potentially become a “connected person” and then to react “immediately” in order to comply is unrealistic and unnecessarily onerous and burdensome. It should be noted that general announcement obligation arises only “as soon as possible” after the terms of the transaction have been agreed under Rule 14A.47(1).

=> to require the listed issuer to comply in full with all applicable reporting, disclosure and independent shareholders’ approval requirements of Chapter 14A upon “any” variation of such agreements (however immaterial or even for variations which are immensely in the interests of the listed issuer) is also unreasonable and unnecessarily onerous and burdensome.

(viii) *Amendment to Rule 14A.71* – In cases where the actual monetary value of the premium, the exercise price, the value of underlying assets and revenue attributable to assets which are subject to grant of option have not been determined as a matter between the parties, to then require the listed issuer to demonstrate to the satisfaction of the Exchange the highest possible monetary value for the purpose of classification of the transaction, or failing which the transaction may be subject to all connected transaction requirements under Chapter 14A, is unreasonable. The other requirements of the Rule, in particular the compliance with the additional requirements if the actual monetary value happens to qualify the transaction within a higher classification, can be practically impossible and is therefore unnecessarily onerous. The onerous nature of these requirements is particularly acute when this Rule is considered in conjunction with the following factors: connected persons currently extend to those at subsidiaries level and with no influence at the issuer’s level; the route of obtaining shareholders’ pre-approval in advance available under Rule 14.76 for options involving independent third parties is unavailable/inapplicable to options involving “connected persons”; and it is not uncommon for parties to set the option exercise price by reference to a pre-agreed formula (e.g. fair market value to be determined at time of option exercise) which does not necessarily yield a monetary value within any range to be of assistance under this Rule.

- End -