

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/cp200909cr_e.pdf

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

A. Financial information in circular or listing document

(1) Accountants' report on the listed group for very substantial disposals (VSD)

1. Do you agree with our proposal to remove the current accountants' report requirements for VSD?

Yes

No

Please provide reasons for your views.

It is costly and lengthy to prepare an accountants' report with limited additional benefit to shareholders. It is believed that financial information on the disposal target together with pro forma financial information on the remaining group should be sufficient and relevant for shareholders' consideration of the transaction.

We also agree to giving listed issuers an option to disclose the relevant financial information in the form of an accountants' report that complies with Chapter 4 of the Listing Rules. In the situation where the disposal target does not keep separate books and accounts, e.g., historically, the disposal target is managed together with other retained businesses, it may be difficult for auditors/reporting accountants to give a review/true and fair opinion on the non-standalone disposal target. Thus the option of an accountants' report with the disposal target shown separately as a note to the financial statements may be appropriate.

2. If your answer to question 1 is "Yes", do you agree with our proposal to require a VSD circular to disclose financial information described in paragraph 15 of the Consultation Paper?

Yes

No

Please provide reasons for your views.

We are of the view that the Exchange should specify more precisely what level of information is required under the proposed revised rule 14.68(2)(a)(i). This would enable issuers and auditors/reporting accountants to have a clear understanding of, and to ensure consistency in, the level of information to be provided in a VSD circular.

Paragraph 14 of the consultation paper states that the Exchange believes that, at a minimum, the financial information provided in a VSD circular for shareholders' consideration should be reviewed by the issuer's auditors or reporting accountants (similar to a review of interim financial information). Paragraph 15 states that the Exchange expects that the review would be conducted according to the standards published by HKICPA or IASB on engagements to review financial statements (similar to a review of interim financial information).

We would like to draw to your attention that for a review engagement, the applicable standard is Hong Kong Standard on Review Engagements (HKSRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". This standard is also to be applied, adapted as necessary in the circumstances, when an entity's auditor undertakes a review engagement to review historical financial information other than interim financial information of an audit client. The auditor is to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the financial information is not prepared, in all material respects, in accordance with an applicable financial reporting framework (i.e., a negative assurance report).

It appears from paragraph 15 of the consultation paper that the Exchange does not require a full set of HKFRS financial statements under the proposed revised rule 14.68(2)(a)(i). So although the financial information in a VSD circular would relate to full financial year periods, in the absence of a requirement for a full set of HKFRS financial statements, it seems that the next "best" alternative for the level of information to be disclosed would be those set out in HKAS 34 "Interim Financial Reporting".

Therefore, we would suggest the Exchange to consider including in the proposed rules that the financial information to be included in a VSD circular should be referenced to those set out in HKAS 34 "Interim Financial Reporting" to facilitate clarity and consistency in the information to be provided, and to provide the auditors/reporting accountants with a benchmark/criteria in carrying out the review and issuing a review opinion.

On the other hand, there may be a situation where the disposal target has previously been audited on a standalone basis (i.e., the financial statements of the disposal target have been covered by audit opinions). In this case, it may be sufficient to just reproduce the audited financial statements rather than also require a review of such audited financial information.

3. If your answers to questions 1 and 2 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 your answer is “No”, please provide reasons and alternative views.

See our response to question 2 above.

(2) **Reporting period of accountants' report in major acquisition or very substantial acquisition circular**

4. Do you agree with our proposal to remove the requirement in Rule 4.06 that the reporting period of an accountants' report in a major transaction or very substantial acquisition circular must cover the financial year immediately before the circular date?

Yes

No

Please provide reasons for your views.

The accountants' report containing three years financial results of the business or company being acquired ("the Target"), with the latest financial year/period ended not more than 6 months from the circular date, should be sufficient for shareholders to assess the Target's performance and financial position and decide how to vote on the transaction. It may not be necessary to require the accountants' report to cover the financial year immediately before the circular date and this may create difficulties for listed issuers in producing the relevant information, and cause delay in the despatch of the transaction circular.

5. If your answer to question 4 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.

(3) Indebtedness statement in a notifiable transaction circular

6. Do you consider that the requirement for disclosing an indebtedness statement in a notifiable transaction circular should be retained?

Yes

No

Please provide reasons for your views.

We have no strong views as to whether the requirement should be retained or not.

(4) Working capital statement in a notifiable transaction circular

7. Do you agree with our proposal to amend Rule 14.66(10) to clarify that the working capital statement in a notifiable transaction circular must take into account the effect of the proposed transaction?

Yes

No

Please provide reasons for your views.

Since it is a current market practice that the working capital statement in a notifiable transaction circular would take into account the effect of the proposed transaction, we agree to codify such practice in the Listing Rules.

8. If your answer to question 7 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.

(5) Reproducing published financial information in circular or listing document

9. Do you agree with our proposal to allow issuers to make references in their circulars or listing documents to published documents set out in paragraph 31(3) of Appendix 1B, instead of reproducing the same information?

Yes

No

Please provide reasons for your views.

We agree that the proposal not to require issuers to reproduce information that is already in the public domain would save on resources. However, issuers should be required to specify clearly and prominently in the circulars or listing documents where and how to locate/obtain the relevant information and such information should be readily accessible.

10. If your answer to question 9 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.

We believe that the Rule amendments should require issuers to specify clearly and prominently in the circulars or listing documents where and how to locate/obtain such relevant information set out in paragraph 31(3) of Appendix 1B, rather than only "... by reference to its other documents published ...", as proposed. Issuer should also be required to ensure that such information is readily accessible in situations where they intend not to reproduce it (see our response to question 9 above).

(6) Combined financial information of the enlarged group under paragraph 31(3)(b) of Appendix 1B to the Rules

11. Do you agree with our proposal to remove the requirement for disclosure of a combined statement from paragraph 31(3)(b) of Appendix 1B to the Rules?

Yes

No

Please provide reasons for your views.

We agree to the proposal, as the requirement for disclosure of a combined statement from paragraph 31(3)(b) of Appendix 1B conflicts with the new pro forma rule 4.29.

12. If your answer to question 11 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.

B. Other disclosure requirements for circular or listing document

(1) Directors' statement on the accuracy and completeness of information in notifiable or connected transaction circular and listing document

13. Do you agree with our proposal to modify the directors' responsibility statement to include a confirmation that the information in the document is accurate and complete in all material respects and not misleading or deceptive?

Yes

No

Please provide reasons for your views.

We consider that it is appropriate to align the directors' responsibility statement with the disclosure principle in Rule 2.13.

14. 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.

(2) Information in board minutes for connected transactions

15. Do you agree with our proposal to remove the filing requirement for the board minutes approving connected transactions and instead, require issuers to disclose the information contained therein (i.e. whether any directors have a material interest in the transaction and have abstained from voting) in their connected transaction circulars (or if no circular is required under the Rules, their announcements)?

Yes

No

Please provide reasons for your views.

We consider that such information is also relevant to shareholders for consideration of the connected transactions and therefore, should be disclosed in relevant circulars or announcements rather than being disclosed only to the Exchange by way of filing the board minutes approving such connected transaction with the Exchange.

16. If your answer to question 15 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.

(3) Circular content requirements for a notifiable transaction involving an acquisition and a disposal

17. Do you agree with our proposal that the circular content requirements for each of the acquisition and the disposal under a transaction should be determined by their respective transaction classification?

Yes

No

Please provide reasons for your views.

We consider that, where a transaction involves both an acquisition and a disposal, it is more reasonable to require each of the acquisition and the disposal be determined by their respective transaction classification than requiring both the acquisition and the disposal to comply with the more stringent disclosure requirements by reference to the larger of the acquisition or the disposal.

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.

(4) Disclosure in listing documents of listed overseas or PRC issuer regarding provisions in constitutional document and regulatory provisions in the relevant jurisdiction

19. Do you agree with our proposal to remove the disclosure and document inspection requirements regarding provisions in constitutional documents and regulatory provisions for listing documents for subsequent issue of securities by PRC issuers and overseas issuers (other than in connection with an introduction or a deemed new listing under the Rules)?

Yes

No

Please provide reasons for your views.

While we agree to the proposal, we consider that issuers should be required to specify clearly and prominently in the relevant listing document where and how a shareholder/investor can locate/obtain such information and such information should be readily accessible.

20. If your answer to question 19 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.

See our response to question 19 above.

(5) Additional disclosure requirements for listing documents of PRC issuers

21. Do you agree with our proposal to remove the disclosure requirements under paragraphs 45, 46, 48 and 49 of Appendix 1B to the Rules for listing documents for subsequent issue of securities by PRC issuers?

Yes

No. The following disclosure requirement(s) should be retained (*please check the appropriate box(es)*):

Paragraph 45 of Appendix 1B

Paragraph 46 of Appendix 1B

Paragraph 48 of Appendix 1B

Paragraph 49 of Appendix 1B

Please provide reasons for your views.

While we agree to the proposal, we consider that PRC issuers should be required to specify clearly and prominently in the relevant listing document where and how a shareholder/investor can locate/obtain such information required under paragraphs 45 to 49 of Appendix 1B to the Listing Rules and such information should be readily accessible.

22. If your answer to question 21 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.

See our response to question 21 above.

C. Timing for despatch of circulars

(1) Timing for despatch of notifiable or connected transaction circulars

23. Do you agree with our proposal to remove the 21-day requirement for publication of a notifiable or connected transaction circular (other than information circular) and instead, require disclosure of the expected timing for despatch of circular and the reasons for any delay?

Yes

No

Please provide reasons for your views.

We agree to the proposal, as this gives more flexibility for listed issuers to plan their transaction timetable when a shareholders' meeting is involved. We understand from paragraph 83 of the consultation document that under the proposal, if the expected despatch date of the circular is more than 15 business days (i.e., longer than that is required under the existing Listing Rules, which is 21 calendar days assuming no public holiday during the despatch period), the issuer must disclose the basis of its determination of the despatch date in the initial announcement of the transaction.

24. Do you agree with our proposal to amend the timing requirement for despatch of information circular from 21 calendar days to 15 business days?

Yes

No

Please provide reasons for your views.

The proposal will not reduce the practical length of time for despatch of information circular. Specifying the period by reference to business days, as opposed to calendar days as in the current Listing Rules, will provide greater certainty, in particular when there are public holidays falling during the relevant period.

25. If your answers to questions 23 and 24 are "Yes", do you agree that the proposed draft Rule amendment(s) in Appendix I to the Consultation Paper will implement our proposals?

Yes

No

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

(2) Timing for despatch of supplementary circulars

26. Do you agree with our proposal to amend the timing for despatch of supplementary circulars from 14 calendar days to 10 business days?

Yes

No

Please provide reasons for your views.

See reasons indicated in our response to Question 24 above.

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.

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

Yes

No

If your answer is “Yes”, please elaborate your views.

- End -