

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.

Removal of the current accountants' report requirements for VSD would help to save costs in preparing the circular.

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 agree that the financial information described in paragraph 15 of the Consultation Paper is relevant for shareholder's information.
In relation to the requirement that the financial information has to be reviewed by the issuer's auditors according to the standards published by HKICPA or IASB on engagements to review financial statements (similar to a review of interim financial information), would the Stock Exchange accept a review by Mainland audit firms in accordance with Mainland accounting standards if Mainland accounting standards are to be accepted for Mainland incorporated issuers?

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.

(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.

This would codify the current practice of the Stock Exchange. We agree that the existing requirement in Rule 4.06 is unduly burdensome and the requirement that the latest financial year/stub period must ended not more than six months from the circular date should be sufficient to ensure that the financial information is not out-of-date.

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 believe that the requirement to include an indebtedness statement in a circular for a major transaction, a very substantial disposal or a very substantial acquisition should be retained. A major transaction or a very substantial acquisition involves, in substance, a listing of assets which are significant in value to the issuer. Further, under the existing rules, a working capital statement needs not be a positive confirmation on sufficiency of working capital. If there is not sufficient working capital, the statement only needs to set out how it is proposed that additional working capital will be provided to the group. There could be cases where the financial position of an issuer has worsened since the issuer last published its results and the level of the group's indebtedness has increased significantly as a result. In addition to a qualitative statement on sufficiency of working capital, updated information on the issuer's indebtedness position would be relevant for shareholders' consideration.

(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.

The proposed amendment reflects current market practice. It will be good to have the clarification as otherwise Rule 14.66(10) will not make sense.

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.

The financial information is public information available on the Stock Exchange’s website and reproducing the same in a circular will only increase printing costs.

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.

(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.

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 agree it is appropriate to align the 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.

Comment: “Complete” is the contrary of “omission” and if a materiality qualification (as set out in Rule 2.13(2)) is allowed for “completeness” of information, we believe “omission” should have the same materiality qualification as well. Would the Stock Exchange consider adding a materiality qualification to “omission” or simply deleting the words “and there are no other facts the omission of which would make any statement herein misleading” at the end of the responsibility statement? It seems to us that such “no omission” wording should no longer be required after the proposed addition that “the information contained in this document is accurate and complete in all material respects and not misleading or deceptive”.

(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 agree that whether any director has a material interest in the transaction and has abstained from voting or not is relevant information for shareholder’s consideration.

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.

Comment: we believe Rule 14A.56 should also cover the situation where no board meeting has been held and the transaction is approved by a written resolution of directors.

(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 agree that for a notifiable transaction involving an acquisition and a disposal, each of the acquisition and the disposal should be determined by their respective transaction classification.

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.

Such information is publicly available and the existing requirements are unduly burdensome.

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.

(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.

Such information is publicly available and is not related to the subject matter of the transaction.

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.

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 support the proposal to allow an issuer to plan its own timetable for despatch of circular.

For a circular which is required to be pre-vetted by the Stock Exchange, would the Stock Exchange give guidance as to how long the vetting process will take? This will help the issuer in coming up with an expected timetable for despatch of the circular.

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.

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.

Comments:

(i) should we replace the word “and” at the end of Rule 14.41(a) by the word “or”?

(ii) should we replace the word “and” at the end of RuleA.49(a) by the word “or”?

(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.

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 -