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Dear Sir,

Consultation Paper on Proposed Changes to Requirements for Circulars and Listing Documents of Listed Issuers

We refer to the subject consultation paper and welcome the Exchange's initiatives to streamline the circulars and listing documents' requirements. We set out below our detailed comment on the paper for your consideration. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the paper.

Financial information required for "very substantial disposals" transactions

Our reading of the proposal is to allow listed issuers to present either a complete set of financial statements or a set of financial information containing all primary statements with selected notes ("selected financial information") in a VSD circular with the following four options:

- (a) A review report on selected financial information of the disposal target;
- (b) A review report on selected financial information of the listed issuer's group with the disposal target shown separately as a disposal group or discontinuing operation;
- (c) An accountant's report prepared in accordance with Chapter 4 of the Main Board Listing Rules / Chapter 7 of the GEM Listing Rules ("accountant's report") on the disposal target; or
- (d) An accountant's report on the listed issuer's group with the disposal target shown separately as a disposal group or discontinuing operation.

Comparability of financial information

The aforementioned four options may create non-comparable financial information being provided to investors. We recommend the Exchange to consider eliminating some of the options.

Different assurance level

If the "review" options under (a) and (b) above are retained, we have concerns on whether investors fully appreciate the differences between a review report and an accountant's report. We suggest the Exchange to explain to investors the differences in the level of assurance being provided in a review report and an accountant's report. A review consists primarily of making inquiries and applying analytical and other review procedures and is substantially less in scope than an engagement conducted for an accountant's report.

Preparation standards and reporting standards

If the "review" options under (a) and (b) above are retained, we urge the Exchange to clarify which accounting standard it expects listed issuers to adopt for preparing and presenting the selected financial information or to specify the minimum content required for the selected financial information. This can enable comparable financial information being provided amongst listed issuers and provide a framework for reporting accountants to opine on. For example, the Exchange may make reference to the minimum content required under HKAS 34.

We also recommend the Exchange to clarify which reporting standard it expects reporting accountants to adopt for their review.

Mixture of options

Given the proposed four options, we suggest the Exchange to clarify whether listed issuers can choose two or more options for one single transaction. For example, to clarify whether the listed issuer can present an accountant's report under option (d) for the three completed financial years and a review report under option (a) for the stub period only.

Indebtedness statement in a notifiable transaction circular

We consider the requirement for disclosing an indebtedness statement in a notifiable transaction circular should be retained as it provides the most up to date quantitative information about the listed issuer's indebtedness position and is useful to shareholders and potential investors.

Other comments – Acquisition of revenue-generating assets

For acquisition of any revenue-generating assets other than a business or a company with an identifiable income stream, the current Listing Rules require the acquisition circular to contain a profit and loss statement on the identifiable net income stream in relation to such assets.

However, given the listed issuer is not acquiring a company or a business, in practice, it is common that the vendor may not keep a stand-alone profit and loss statement of the asset. Accordingly, the listed issuer may have difficulties in fulfilling the above requirement. We recommend the Exchange to revisit this requirement.

We hope the above are helpful. If you want to discuss any matters further, please do not hesitate to contact

Yours faithfully,

PriceWaterhouseCoopers