

## 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](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 not necessary or cost-effective for an issuer to prepare an accountants' report on the issuer's group for the latest three financial years to be disclosed in the circular as the same had previously subject to audit and financial reporting requirements. The work would equate to an audit on the results of the issuer's group which is costly and time-consuming.

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.

The financial information described in paragraph 15 of the Consultation Paper shall be sufficient for shareholders' consideration.

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.

N/A

**(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.

An issuer may have difficulty in producing the target’s audited accounts for the latest financial year to be included in the circular for a very substantial acquisition/major transaction to be issued shortly after the end of the target’s financial year. Accordingly, compliance with such requirement may delay the despatch of the circular which is not in the interest of the issuer and its shareholders.

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.

The drafting of Note 1 to Rule 4.06 fails to make a clear distinction between the requirements for reverse takeover and very substantial acquisition/major transaction (as set out in the new draft Note 2) as it is unclear whether a full three-year account of the target for the immediate preceding three financial years is required to be prepared in the case of a reverse takeover.

**(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.

The requirement should be retained as the indebtedness statement provides to the shareholders updated quantitative information about the issuer group's indebtedness position which takes into account the impact of the proposed transaction on the issuer group.

**(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.

This can clarify the application of Rule 14.66(10).

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.

N/A

**(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.

As such financial information should have already been disclosed in previous published documents which can be accessed online, it is acceptable for issuers to refer in their circulars or listing documents to the published financial information. In addition, the proposal will help to save printing costs of issuers and is environmentally-friendly.

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.

N/A

**(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.

The pro forma rule, Rule 4.29, which was introduced in March 2004 has set out detailed disclosure standards for pro forma financial information in issuers' documents. The requirement for disclosure of a combined statement in paragraph 31(3)(b) of Appendix 1B seems to be redundant.

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.

N/A

**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.

The proposed modification aligns the responsibility statement with the disclosure principle in Rule 2.13 and the responsibility statement required from GEM issuers.

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.

Suggest to amend the proposed draft rule as follows: "This document, (*add the underlined words*) for which the directors of the issuer collectively and individually accept full responsibility, includes particulars.....The directors (*delete the words in brackets as it is repetitive to the last sentence of the draft Rule*) [collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm], having made all reasonable enquiries...

**(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.

Such information is relevant for shareholders' consideration or information, and as such, should be disclosed to the shareholders and not only to the Exchange. The removal of the filing requirement can also relieve the administrative work of the issuers.

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.

N/A

**(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.

This will avoid immaterial transactions to be classified as a higher category of notifiable transactions which require more extensive disclosures in a circular pursuant to Rule 14.24. The proposal will help to save time and compliance costs for the issuers.

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

**(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 had previously been disclosed in the issuer's IPO prospectus and any subsequent changes relating to the same are subject to the disclosure requirements under Rules 13.51(1) and 13.09(1).

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.

N/A

**(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.

N/A

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.

N/A

## 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.

It is sometimes difficult for issuers to publish their circulars within 21 days in cases where an accountants' report or other expert report is required to be incorporated. The driver for the timing of despatch of the circulars should be the issuer's own timetable for seeking shareholders' approval in respect of the transaction but should not be set by reference to the date of the initial announcement of the transaction. The proposal will save the need for issuers to apply for waivers from the 21-day requirement and the Exchange to grant such waivers. Retaining the requirement for the issuer to despatch the circulars on or before it gives notice of the general meeting to approve the transaction can ensure that adequate time will be given to shareholders to consider the information in 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.

Amending the timing requirement with reference to business days as opposed to calendar days will provide issuers with the same timeframe even in cases where there is a long public holiday.

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.

N/A

**(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.

The proposal will align the notice requirement with that under Code Provision E1.3 of Appendix 14, which is based on business days, rather than calendar days. In addition, it will provide issuers with the same timeframe even in cases where there is a long public holiday.

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

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

Yes

No

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

N/A

- End -