

CONSULTATION PAPER

ON PROPOSED CHANGES TO ALIGN THE
DEFINITIONS OF CONNECTED PERSON AND
ASSOCIATE IN THE LISTING RULES

April 2013



Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

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How to respond to this paper

We, The Stock Exchange of Hong Kong Limited (the **Exchange**), a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited (**HKEx**), invite written comments on the matters discussed in this paper on or before **26 June 2013**. You may respond by completing the questionnaire which is available at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2013042q.doc>.

Written comments may be sent:

By mail or hand delivery to: Corporate and Investor Communications Department
Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

**Re: Consultation Paper on Proposed Changes to
Align the Definitions of Connected Person and
Associate in the Listing Rules**

By fax to: (852) 2524 0149

By email to: response@hkex.com.hk

Please mark the subject line:

**Re: Consultation Paper on Proposed Changes to
Align the Definitions of Connected Person and
Associate in the Listing Rules**

Our submission enquiry number is (852) 2840 3844.

Respondents are reminded that we will publish responses on a named basis in the intended consultation conclusions. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in Appendix III.

EXECUTIVE SUMMARY

Under the current Rules, Chapter 1 contains the general definitions of “connected person” and “associate” which are different from those used in Chapter 14A for the purpose of the connected transaction requirements.

This paper highlights the differences of the definitions in Chapters 1 and 14A, and reviews the Rules that currently use the Chapter 1 definitions. Our proposals are to rename the definitions in Chapter 1 to distinguish them from those used in Chapter 14A, and align the definitions in certain parts of the Rules with those used in Chapter 14A.

I. INTRODUCTION

Background

1. Currently, Chapter 1 of the Rules contains the general definitions of “connected person” and “associate” which are used throughout the Rules. Chapter 14A also uses these definitions but extends their meanings to a wider scope of persons for the purpose of the connected transaction requirements in that chapter.
2. In April this year, we issued a Consultation Paper on Review of Connected Transaction Rules (the “**CT Consultation Paper**”) (hyperlink: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201304.pdf>). As part of the proposal to re-write Chapter 14A in plainer language as described in that paper, we propose to include self-contained definitions of connected person and associate in Chapter 14A.

Purpose of this paper

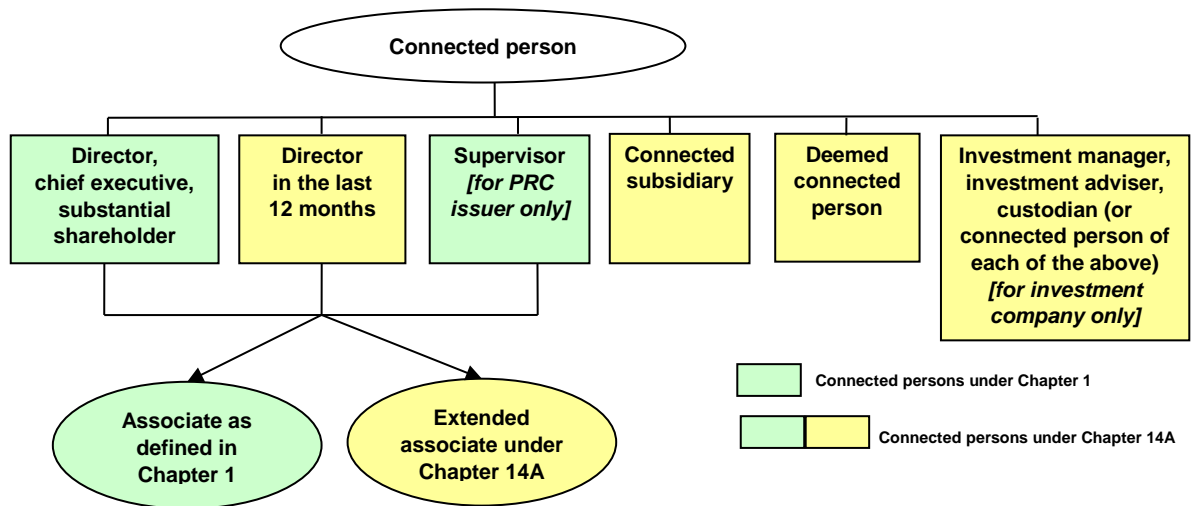
3. This paper reviews different parts of the Rules that use the general definitions of connected person and associate in Chapter 1 and the purposes of these Rules. It seeks market views on the proposals to:
 - rename the definitions of “connected person” and “associate” in Chapter 1 to “restricted connected person” and “close associate” to distinguish them from those used in Chapter 14A; and
 - align the definitions of connected person and associate used in various parts of the Rules with those in Chapter 14A where their purposes are also to protect independent/minority shareholders when issuers propose transactions or corporate actions, or in other circumstances where there is, or may be, a conflict of interest.
4. The Rule changes proposed in this consultation paper would be subject to the adoption of the proposal to re-write Chapter 14A in plainer language as described in Chapter III of the CT Consultation Paper.

II. ISSUES AND PROPOSALS

Current definitions of connected person and associate

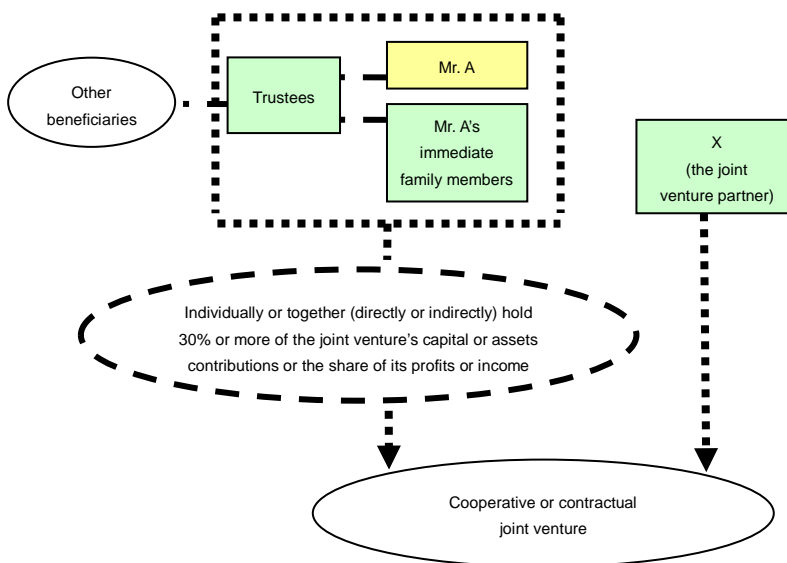
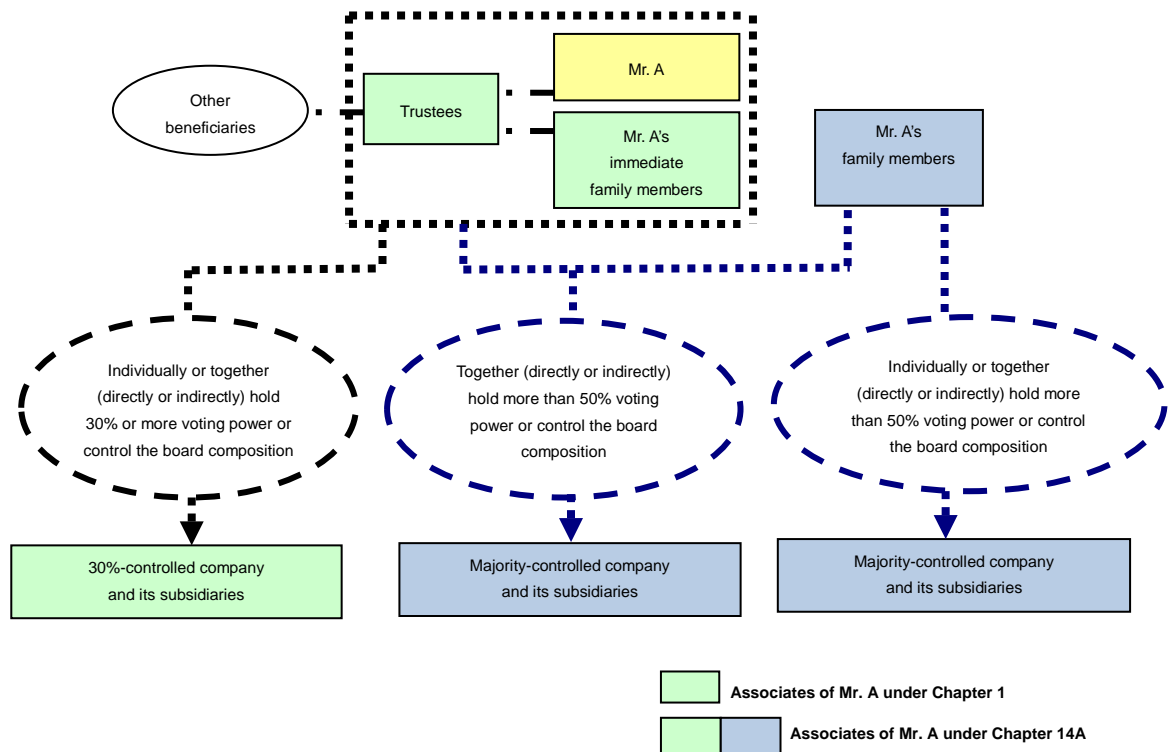
5. Chapter 1 currently contains the general definitions of connected person and associate which are different from those used in Chapter 14A.
6. The following table and diagram compare the definition of connected person in Chapters 1 and 14A:

Definition of connected person	
Chapter 14A	Chapter 1
Includes:	
A director, chief executive or substantial shareholder of the issuer or any of its subsidiaries	Same
A person who was a director of the issuer or any of its subsidiaries in the last 12 months	N/A
A supervisor of a PRC issuer or any of its subsidiaries	Same
An associate (as defined in Chapter 14A) of any of the above persons	An associate (as defined in Chapter 1) of any of the above persons
A connected subsidiary	N/A
A person deemed to be connected by the Exchange	N/A
(For an investment company) An investment manager, investment adviser or custodian (or any connected person of each of them) <i>[under existing Rule 21.13]</i>	N/A
Exclude:	
A PRC Governmental Body	N/A
(For a listing of depositary receipts) A person holding shares of an issuer as a depositary only <i>[under existing Rule 19B.03]</i>	Same



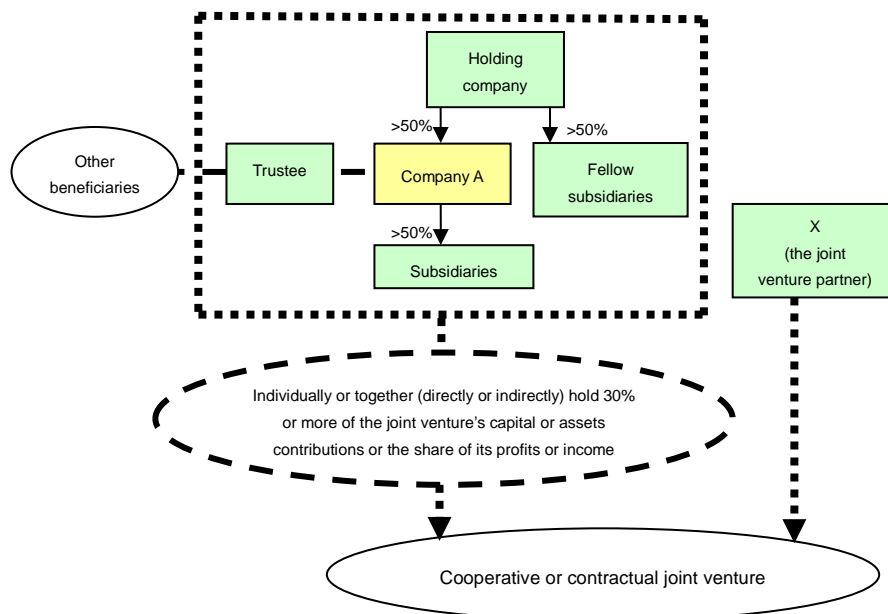
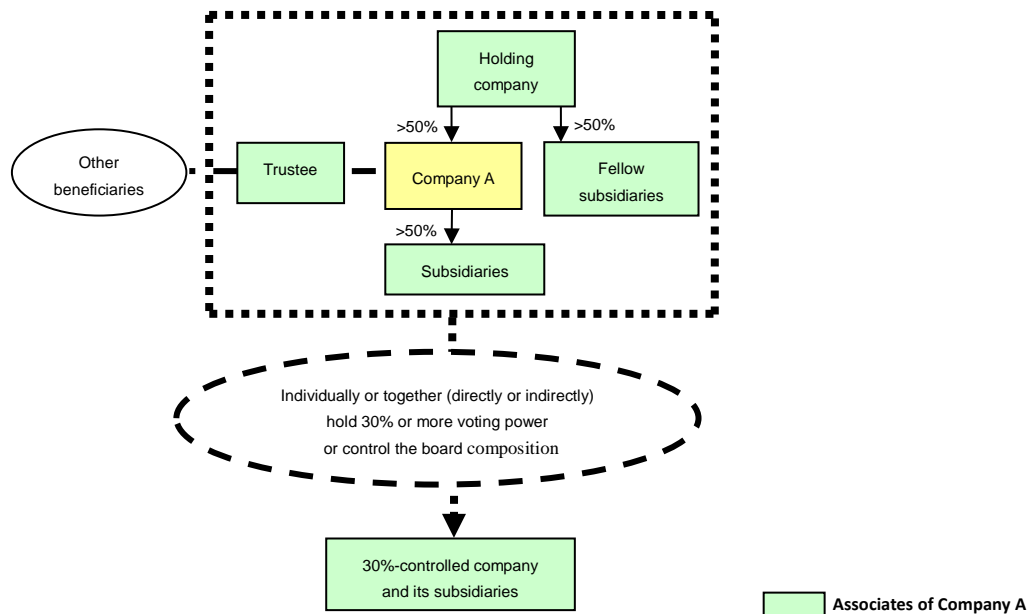
7. The following table and diagrams compare the definition of associate in Chapters 1 and 14A when the connected person is an individual (e.g. Mr. A):

Definition of associate (associate of an individual)	
Chapter 14A	Chapter 1
Mr. A's spouse, his (or his spouse's) child (natural or adopted) or step-child under the age of 18 years (each an "immediate family member")	Same
The trustees, acting in their capacity as trustee of any trust of which Mr. A or his immediate family member is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object (the "trustees")	Same
A 30%-controlled company held by Mr. A, his immediate family members and/or the trustees (individually or together), or any of its subsidiaries	Same
A person cohabiting with Mr. A as a spouse, or his child, step-child, parent, step-parent, brother, step-brother, sister or step-sister (each a "family member")	N/A
A majority-controlled company held by the family members (individually or together), or held by the family members together with Mr. A, his immediate family members and/or the trustees, or any of its subsidiaries	N/A
(For PRC issuers only) Any joint venture partner of a cooperative or contractual joint venture (whether or not it is a separate legal entity) where Mr. A, his immediate family members and/or the trustees; together directly or indirectly hold 30% (or an amount that would trigger a mandatory general offer or establish legal or management control over a business enterprise under the PRC law) or more in the joint venture's capital or assets contributions, or the contractual share of its profits or other income.	Same



8. For a connected person which is a company (e.g. Company A), the definition of associate in Chapters 1 and 14A is the same. They are:
- Company A's subsidiary or holding company, or a fellow subsidiary of the holding company (together the “**group companies**”);
 - the trustees, acting in their capacity as trustees of any trust of which Company A is a beneficiary or, in the case of a discretionary trust, is (to its knowledge) a discretionary object (the “**trustees**”);

- a 30%-controlled company held by Company A, the group companies, and/or the trustees (individually or together), or any of its subsidiaries; or
- (For PRC issuers only) any joint venture partner of a cooperative or contractual joint venture (whether or not it is a separate legal entity) where Company A, its group companies and/or the trustees, together directly or indirectly hold 30% (or an amount that would trigger a mandatory general offer or establish legal or management control over a business enterprise under the PRC law) or more in the joint venture's capital or assets contributions, or the contractual share of its profits or other income.



A) To rename the definitions in Chapter 1

9. As part of the proposal to re-write the connected transaction Rules in plainer language, we propose to include self-contained definitions of connected person and associate in Chapter 14A.
10. As the current definitions of connected person and associate in Chapter 1 are used in the Rules for different purposes, we propose to rename the definitions in Chapter 1 as “restricted connected person” and “close associate” to distinguish them from those governed by Chapter 14A.

B) To align the meanings of connected person and associate in Chapter 14A and other parts of the Rules

11. We consider that the meanings of connected person and associate in the Rules set out in paragraph 13 below should align with those adopted in Chapter 14A as their purposes are also to protect independent/minority shareholders when issuers propose transactions or corporate actions, or in other circumstances where there is, or may be, a conflict of interest.
12. We have also reviewed other Rules which currently use the definitions of connected person and associate in Chapter 1 (see Appendix I). We do not propose changes to the meanings of connected person and/or associate in these Rules because their purposes are different from those described in paragraph 11. In other jurisdictions, the scope of persons subject to the related party transaction rules is different from those subject to other rules such as the public float requirements and/or restrictions on securities dealings.
13. We set out in the table below the Rules which should use the definitions of connected person and associate as in Chapter 14A:

Rule no.	Description of the requirements	Reason for the proposal	
Transactions			
1.	R14.06(b), R14.23B(2)	Acquisition of assets from the issuer's incoming controlling shareholder or his/its associate under the reverse takeover Rule	For any individual or company, the definition of associate in Chapter 14A is intended to cover those persons closely associated with the individual or company. The extended definition of associate under Chapter 14A includes an individual's family members and companies controlled by them ¹ . The reverse takeover rules should cover transactions with these extended associates given their relationship with the controlling shareholder.
	R14.92	Restriction of disposal of existing business by an issuer within 24 months after a change in control unless the assets acquired from the person(s) gaining such control or his/their associates and any other assets acquired after the change in control can meet Rule 8.05	
2.	R14.58(3), R14.63(3)	Issuer to disclose in the announcement and circular of a transaction that the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the issuer and its connected persons	The issuer needs to ascertain whether the counterparty of a notifiable transaction and his/its beneficial owner are connected persons as defined in Chapter 14A to ensure compliance with the connected transaction requirements.
3.	R5.03, PN12- Para 15	<ul style="list-style-type: none"> • Requirements for valuation of property interests acquired from a connected person • Disclosure in the valuation report if the valuer has relied on information provided by a connected person in a connected transaction 	These Rules currently apply to connected transactions.

¹ For a company, the definition of associate under Chapters 1 and 14A is the same.

Issues of securities			
4.	R7.21(2), R7.26A(1)	Requirements for a rights issue or open offer underwritten by a director, chief executive or substantial shareholder of the issuer (or an associate of any of them) if there is no arrangement for excess applications	For a connected person who is an individual, Chapter 14A extends the definition of associate to his family members and companies controlled by them ¹ . Rules 7.21(2) and 7.26A should also apply to any underwriting arrangements with the extended associates given their relationship with the director/chief executive/substantial shareholder.
5.	N1 to R13.36(2)(b), R19A.38	Any issue of securities by an issuer to a connected person under a general mandate is permitted only if it complies with Chapter 14A	These Rules currently apply to connected transactions.
Share option schemes			
6.	R17.03(4)	Shareholder approval requirement for granting share options to each participant and his associates which exceeds the limits set out in the Rule	For a participant who is an individual, Chapter 14A extends the definition of associate to his family members and companies controlled by them ¹ .
	R17.04(1), N1 to R17.04(3)	<ul style="list-style-type: none"> Requirement for independent non-executive directors to approve a grant of share options to any director, chief executive or substantial shareholder of an issuer or any of their associates Shareholder approval requirement for granting share options to a substantial shareholder or independent non-executive directors, or any of their associates which exceeds the limits set out in the Rule; or any change in the terms of options granted to any such person. All connected persons of the issuer must abstain from voting in favour at the general meeting 	<p>The requirements for granting options to the participant should also apply to any options granted to the extended associates given their relationship with the participant.</p> <p>Further, Chapter 14A exempts the grant of options to connected persons (including associates) under share option schemes that comply with Chapter 17. The scope of connected persons and associates under Chapters 14A and 17 should be the same.</p>

	R17.06A, R17.07	Requirements to disclose information relating to share options granted to a director, chief executive or substantial shareholder of the issuer or any of their associates	
Repurchases of securities			
7.	R10.06(1), (2)	<ul style="list-style-type: none"> • Circular for a repurchase mandate to disclose (i) any directors and their associates and (ii) any connected persons of the issuer, who have a present intention to sell the issuer's shares if the repurchase mandate is approved by shareholders • An issuer shall not knowingly purchase its shares from a connected person and a connected person shall not knowingly sell shares to the issuer, on the Exchange 	Chapter 14A exempts any on-market repurchase of shares from a connected person (except where the connected person knowingly sells the securities to the issuer). The scope of connected persons and associates under Rules 10.06(1) and (2) and Chapter 14A should be the same.
Voting at general meeting			
8.	R2.16	Factors to determine whether a shareholder has a material interest include: <ul style="list-style-type: none"> • Whether the shareholder is a party to the transaction or an associate of such party • Whether the transaction confers upon the shareholder or his associate a benefit not available to other shareholders of the issuer 	For an individual, Chapter 14A extends the definition of associate to his family members and companies controlled by them ¹ . If the individual has a material interest in a transaction and needs to abstain from voting, the extended associates should also abstain from voting given their relationship with the individual.
	N2 to R14.33, R14.46, R14.49, R14.55, R14.63(2)(d)	If a person has a material interest in a notifiable transaction, he and his associates must abstain from voting	
	R13.68	A director and his associates must abstain from voting on his service contract for a duration of more than 3 years	
	PN15 – Para 3(e)(2)	If a controlling shareholder has a material interest in a spin-off proposal, it and its associates must abstain from voting	

9.	R6.12, R6.13, R7.19, R7.24, R13.36(4), R14.90, R14.91, Note to R13.39	<p>Any controlling shareholder (or where there is no controlling shareholder, directors and chief executive of the issuer) and its/their associates must abstain from voting to approve</p> <ul style="list-style-type: none"> • voluntary withdrawal of listing • large scale rights issuer or open offer • refreshment of general mandate • transaction that would result in a fundamental change in the issuer’s principal business activities within 12 months after listing 	<p>For any individual, Chapter 14A extends the definition of associate to an individual’s family members and companies controlled by them¹.</p> <p>Where the Rules specifically require the controlling shareholder (or the directors and chief executive) to abstain from voting in certain types of transactions or corporate actions, the extended associates should also abstain from voting given their relationship with these connected persons.</p>
10.	PN4 - Para 4(c)	<p>For a proposal to issue new warrants to existing warrant holders or to change the exercise period or exercise price of existing warrants, the Exchange has the right to require that any connected person of the issuer who holds more than 10% of the outstanding existing warrants to abstain from voting</p>	<p>The definition of connected person under Chapter 14A is intended to catch those persons who can control or significantly influence the issuer. If any such person has a substantial holding in the outstanding warrants, the conflict of interest is obvious when the issuer proposes to issue new warrants to him/it or to change the major terms of the existing warrants held by him/it.</p>
11.	R21.04(3)(d)	<p>(For investment companies only) Any custodian, management company, any of their connected persons, and every director of any investment company and management company, is prohibited from voting their own shares at, or being part of a quorum for, any meeting to the extent that they have or any of their associates has, a material interest in the business to be conducted</p>	<p>Currently, the custodian and management company (and their connected persons), and the directors of the investment company and the management company are connected persons under Chapter 14A.</p> <p>For a connected person who is an individual, Chapter 14A extends the definition of associate to his family members and companies</p>

			controlled by them. ¹ If the connected person is a shareholder of the issuer and any of his extended associate has a material interest in a transaction or matter, he should abstain from voting given his relationship with the extended associate.
<i>Voting at, and quorum for, board meeting</i>			
12.	R13.44	A director of the issuer must not vote on any board resolution approving matters in which he or any of his associates has a material interest	For a director, Chapter 14A extends the definition of associate to his family members and companies controlled by them. If any extended associate has a material interest in a transaction or matter to be considered at a board meeting, the director should not vote on the board resolution given his relationship with the extended associate. <i>Note: If the proposed changes are adopted, an issuer needs not amend its constitutional document as a result of the changes to App3 provided that the issuer complies with the amended R13.44.</i>
	App3 – Para 4(1), N1 to App3	An issuer’s articles of association to comply with the requirement that a director shall not vote on any board resolution approving any matter in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting	
	App14 – Para A.1.7	A physical board meeting is required if a substantial shareholder or a director has a conflict of interest in the matter to be considered by the board which the board has determined to be material. Independent non-executive directors who, and whose associates , have no material interest in the transaction should be present at the board meeting	
	App14 – Para B.1.2(h)	The remuneration committee’s terms of reference should include provision to ensure that no director or any of his associates is involved in deciding his own remuneration.	

Independent non-executive directors (“INEDs”), independent financial advisers (“IFAs”) and sponsor			
13.	R3.13	Factors to assess an INED’s independence include any transactions, arrangements or relationships with the issuer’s connected persons	An INED/IFA /sponsor would need to take into account the extended definition of connected person under Chapter 14A when providing the confirmation of independence to the Exchange. The INED/IFA/sponsor should be able to demonstrate that he/it is independent of the connected persons under Chapter 14A as one of his/its duties is to review the issuer’s connected transactions. Under these Rules, an IFA or sponsor also needs to consider its relationship with any associate of the issuer/new applicant. The definition of associate (for a company) in Chapters 1 and 14A is the same.
	R13.84 <i>(see also item no. 14 below)</i>	Factors to assess an IFA’s independence include any transactions, arrangements or relationships with: <ul style="list-style-type: none"> • any associate or connected person of the issuer; • any controlling shareholder of the issuer and its associates 	
	R13.80 <i>(see also item no. 14 below)</i>	IFA’s work to include interviewing any third party expert who provides an opinion or valuation relevant to the transaction, including any current or prior relationships with the issuer, other parties to the transaction and connected persons of the issuer	
	R3A.07(3), (6)	Factors to assess a sponsor’s independence include any transactions, arrangements or relationships with: <ul style="list-style-type: none"> • any associate or connected person of the new applicant; • any controlling shareholder of the new applicant and its associates 	
	PN21 – Para 14(g)	A sponsor’s due diligence inquiries in relation to the expert sections of the listing document include confirming the expert does not have a material interest in the securities or assets of the new applicant, its connected persons , or any associate of the new applicant beyond that allowed by Rule 3A.07	

14.	R13.84	<p>Factors to assess an IFA's independence also include any transactions, arrangements or relationships with:</p> <ul style="list-style-type: none"> • another party to the transaction; • any associate or connected person of another party to the transaction; • any controlling shareholder of (i) another party to the transaction or (ii) any holding company of another party to the transaction, and any associates of such controlling shareholder 	<p>As the IFA's role is to give an independent opinion on the connected transaction, it should demonstrate its independence from any persons closely related to the counterparty of the transaction as required under Chapter 14A.</p>
	R13.80	<p>IFA's work to include interviewing any third party expert who provides an opinion or valuation relevant to the transaction, including any current or prior relationships with connected persons of another party to the transaction</p>	
15.	R3A.05	<p>A new applicant and its directors to ensure its substantial shareholders and associates to assist the sponsor to perform its role</p>	<p>For a substantial shareholder who is an individual, Chapter 14A extends the definition of associate to his family members and companies controlled by them.¹</p> <p>As one of the sponsor's duties is to review the new applicant's connected transactions, the substantial shareholders' extended associates should be able to assist the sponsor to perform its role.</p>

Disclosures in issuers' documents			
16.	R7.16	For a listing by introduction, the issuer's application must include the holdings of the directors and their associates	<p>For a director, Chapter 14A extends the definition of associate to his family members and companies controlled by them.</p> <p>The disclosure requirements should also apply to the extended associates given their relationship with the director.</p> <p>Further, an issuer should have in place procedures to monitor whether the directors' associates (as defined in Chapter 14A) have any interests in the group's suppliers and customers to ensure compliance with the connected transaction Rules.</p> <p>In the case of an investment company, the definition of associate (for the management company, investment adviser or distribution company) has the same meaning under Chapters 1 and 14A.</p>
	App1A – Para 28(1)(b)(v), App1E – Para 28(1)(b)(v)	A new applicant's listing document must contain a statement of the interests of any of the directors; their associates ; or any 5% shareholder in the group's major suppliers or customers	
	App1B – Para 26(1)(b)(v), App1F – Para 22(1)(b)(v), App16 – Para 31(5)	An issuer's listing document/annual report must contain a statement of the interests of any directors and their associates in the group's major suppliers or customers	
	R21.08(12)	A listing document of a new applicant investment company must contain a statement as to whether the directors of the investment company, the management company, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the investment company, or any re-allowance of other types on purchases charged to the investment company	
Depository			
17.	R19B.03	A depository shall not be: (a) an " associate "; (b) a "controlling shareholder"; (c) a "substantial shareholder"; or (d) excluded from being treated as a member of the public under Rule 8.24, merely by reason of the fact that it is holding shares of an issuer as depository for the benefit of depository receipt holders	Currently, the exemption applies throughout the Listing Rules. To avoid any ambiguity, we propose to specify that the depository is not regarded as an associate defined in Chapter 1 or Chapter 14A.

Investment companies			
18.	R21.04(3)(a)	An investment company will not on its own or in conjunction with any connected person take control of underlying investments	Rule 21.04(3)(a) is to ensure that assets are held by an investment company for investment purposes. It should cover the extended connected persons under Chapter 14A (i.e. the investment manager, investment adviser and custodian and their connected persons).
	R21.04(4)	At the time of new listing of an investment company, no person shall control 30% or more of the votes exercisable at any general meeting of the company. The interests of all the associates of a shareholder and any persons acting in concert with the shareholder will be aggregated	For any individual, Chapter 14A extends the definition of associate to an individual's family members and companies controlled by them ¹ . To determine whether a person can control the investment company, the extended associates' shareholdings should also be taken into account given their relationship with the person.

Questions

- A) *Do you agree with the proposal to rename the definitions of “connected person” and “associate” in Chapter 1 as “restricted connected person” and “close associate”?*
- B) *Do you agree with the proposal to align the definitions of connected person and/or associate in each of the Rules described in the table under paragraph 13 above with those used in Chapter 14A? If not, why not?*

<u>Rule no.</u>		<u>Your response</u>	
		<u>Agree / Disagree</u>	<u>If not, why not?</u>
Transactions			
1.	R14.06(b), R14.23B(2)		
	R14.92		
2.	R14.58(3), R14.63(3)		

Rule no.		Your response	
		Agree / Disagree	If not, why not?
3.	R5.03, PN12- Para 15		
Issues of securities			
4.	R7.21(2), R7.26A(1)		
5.	N1 to R13.36(2)(b), R19A.38		
Share option schemes			
6.	R17.03(4)		
	R17.04(1), N1 to R17.04(3)		
	R17.06A, R17.07		
Repurchases of securities			
7.	R10.06(1), (2)		
Voting at general meeting			
8.	R2.16		
	N2 to R14.33, R14.46, R14.49, R14.55, R14.63(2)(d)		
	R13.68		
	PN15 – Para 3(e)(2)		
9.	R6.12, R6.13, R7.19, R7.24, R13.36(4), R14.90, R14.91, Note to R13.39		
10.	PN4 - Para 4(c)		
11.	R21.04(3)(d)		
Voting at, and quorum for, board meeting			
12.	R13.44		
	App3 – Para 4(1), N1 to App3		
	App14 – Para A.1.7		
	App14 – Para B.1.2(h)		

Rule no.		Your response	
		Agree / Disagree	If not, why not?
Independent non-executive directors (“INEDs”), independent financial advisers (“IFAs”) and sponsor			
13.	R3.13		
	R13.84 <i>(see also item no. 14 below)</i>		
	R13.80 <i>(see also item no. 14 below)</i>		
	R3A.07(3), (6)		
	PN21 – Para 14(g)		
14.	R13.84		
	R13.80		
15.	R3A.05		
Disclosures in issuers’ documents			
16.	R7.16		
	App1A – Para 28(1)(b)(v), App1E – Para 28(1)(b)(v)		
	App1B – Para 26(1)(b)(v), App1F – Para 22(1)(b)(v), App16 – Para 31(5)		
	R21.08(12)		
Depository			
17.	R19B.03		
Investment companies			
18.	R21.04 (3)(a)		
	R21.04 (4)		

**APPENDIX I: RULES THAT USE DEFINITIONS OF
CONNECTED PERSON AND ASSOCIATE IN
CHAPTER 1 FOR DIFFERENT PURPOSES**

Rule no.	Description of the requirements	Purpose	
<i>Public float requirements</i>			
19.	R8.08, R8.24, R13.32	<p>Members of the “public” do not include</p> <ul style="list-style-type: none"> • any connected person of the issuer, • any person whose acquisition of securities has been financed directly or indirectly by a connected person, or • any person who is accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the issuer registered in his name or otherwise held by him 	<p>The public float requirements are to ensure a minimum level of securities for trading to facilitate an open and orderly market for the investing public.</p>
<i>Restrictions on purchase of shares by directors and existing shareholders in new listing applications</i>			
20.	R10.03	<p>A new applicant’s directors and their associates may only subscribe for or purchase any securities for which listing is sought if the conditions set out in Rule 10.03 are met</p>	<p>The restrictions are to ensure that any purchase or subscription of securities by the new applicant’s directors, existing shareholders, or persons related to them, are not made on a preferential basis and the minimum public float can be met.</p>
	App6 – Para 5(2)	<p>No allocations will be permitted to directors or existing shareholders of the applicant or their associates unless the conditions set out in Rules 10.03 and 10.04 are fulfilled</p>	<p>App6 – Para 5(2) and App5D also apply to listed issuers only in the case of a placing of securities of a class new to listing. (Chapter 14A already governs any issue of securities by a listed issuer to its connected persons defined in that Chapter.)</p>
	App5D	<p>A placing agent to confirm in the Form D that none of the securities placed by it have been placed with the directors of the issuer or their associates or any existing shareholder of the issuer or any nominee of any of the above persons</p>	<p>App6 – Para 5(2) and App5D also apply to listed issuers only in the case of a placing of securities of a class new to listing. (Chapter 14A already governs any issue of securities by a listed issuer to its connected persons defined in that Chapter.)</p>

Dealings in securities by connected persons before listing or issue of securities			
21.	R9.09	<p>There must be no dealing in the securities for which listing is sought by any connected person of the issuer (except permitted by Rule 7.11):</p> <ul style="list-style-type: none"> • In the case of a listed issuer, from the time of submission of the formal listing application until listing is granted; and • In the case of a new applicant, from 4 clear business days before the expected hearing date until listing is granted 	The Rule is to avoid abuse of confidential information regarding the status or developments of the listing application by connected persons.
	PN4 – Para 4(d)	<p>For a proposal to issue new warrants to existing warrant holders or to change the exercise period or exercise price of existing warrants, the circular must contain details of any dealings by the issuer, and where relevant, the manager of the issue of new warrants, or any of their associates and any dealings by any connected persons of the issuer in the existing warrants in the period commencing 3 months before the announcement of the warrant proposal</p>	The Rule is to ensure transparency in any recent dealings in the existing warrants by persons who may influence the terms of the proposal.
Disclosure of competing business			
22.	App1A – Para 27A, App1E – Para 27A	A new applicant’s listing document must contain a statement explaining how it is satisfied that it is capable of carrying on its business independent of the controlling shareholder (including any associate thereof) after listing	<p>Rule 8.10 requires an issuer to disclose any competing businesses of its controlling shareholder and directors at the time of new listing, and to continue to disclose its directors’ competing businesses in subsequent annual reports. The issuer must also disclose how it is capable of carrying its business independent of the competing businesses.</p> <p>App 1A/IE – Para 27A and Rule 14A.66(8) extend the scope of Rule 8.10 to persons associated with the controlling shareholder and directors.</p>
	R14.66 (8)	A circular for a major (or above) transaction must contain information as to the competing interests of each of the issuer’s directors and any proposed directors and their associates (as if each of them were treated as a controlling shareholder under Rule 8.10)	

Model code for securities transactions by directors			
23.	App10 – R4	If a director is a sole trustee, the model code will apply to all dealings of the trust as if he were dealing on his own account unless the director is a bare trustee and neither he nor any of his associates is a beneficiary of the trust	<p>The Model Code is to ensure that directors do not abuse, and do not place themselves under suspicion of abusing, inside information that they may be thought to have, especially in periods prior to the issuer's results announcements. The Code specifies that the dealing restrictions equally apply to any dealings by the director's spouse or any minor child, and any other dealings in which the director is treated as interested under Part XV of the Securities and Futures Ordinance.</p> <p>App 10 – R4 and R5 set out the circumstances where dealings by a director in his capacity as a trustee will be exempt. The definition of associate under Chapter 1 (which covers the director's spouse and their children under the age of 18, but not other family members) is in closer alignment with the scope of persons regarded as closely associated with the director for the purpose of the Model Code and Part XV of the Securities and Futures Ordinance.</p>
	App10 – R5	If a director deals in the issuer's securities in his capacity as a co-trustee, and he has not participated in or influenced the decision to deal in the securities and is not, and none of his associates is, a beneficiary of the trust, dealings by the trust will not be regarded as his dealings	

Restriction on loans to directors			
24.	App13B (S1) – Para 5	An issuer’s articles of association shall restrict the making of loans to directors and their associates and shall import provisions at least equivalent to the provision of Hong Kong law	App13B(S1) – Para 5 is one of the Rules to ensure overseas issuers’ constitutional documents to provide shareholder protection to standards similar to those provided by Hong Kong law. Issuers comply with the Rule as long as their constitutional documents contain provisions governing loans and similar transactions with directors and persons connected with them at least equivalent to the provisions of Hong Kong law.
Definition of “IFA group”			
25.	R1.01	“IFA group” means: (a) the IFA; (b) any holding company of the IFA; ... (e) any associate of any controlling shareholder of (i) the IFA or (ii) any holding company of the IFA.	The Rules set out the scope of persons treated as members of an IFA group, and the persons treated as associated with the directors or employees of the IFA group.
	R13.84 (1), (2)	The relationship of the IFA group and any director or associate of a director of the IFA with the issuer or another party to the transaction or ...	
	R13.84 (4)(b) to (e)	Whether an employee of the IFA who is directly engaged in providing the subject advice to the issuer, or a director of any member of the IFA group, or an associate of any of them, has any current business relationship with the issuer or another party to the transaction or ..., which would affect the IFA’s independence	

Definition of “sponsor group”			
26.	R3A.01 (9)	<p>“Sponsor group” means:</p> <p>(a) a sponsor;</p> <p>(b) any holding company of the sponsor;</p> <p>...</p> <p>(e) any associate of any controlling shareholder of (i) the sponsor or (ii) any holding company of the sponsor</p>	The Rules set out the scope of persons treated as members of a sponsor group, and the persons treated as associated with the directors or employees of the sponsor group.
	R3A.07 (1), (3), (7)(c), (7)(d), (8)	<p>The relationship of the following persons with the new applicant or ...</p> <ul style="list-style-type: none"> • the sponsor group and any director or associate of a director of the sponsor • a director of any holding company of the sponsor or an associate of the director • an employee of the sponsor who is directly engaged in providing the subject sponsorship services to the new applicant, or an associate of the employee 	
	R3A.07 (9)(b) to (e)	Whether an employee of the sponsor who is directly engaged in providing the subject sponsorship to the new applicant, or a director of any member of the sponsor group, or an associate of any of them, has any current business relationship with the new applicant or ..., which would affect the sponsor’s independence	

APPENDIX II: DRAFT RULE AMENDMENTS

Draft Rule amendments (marked up against current Rules)

Chapter 1

GENERAL

INTERPRETATION

...

1.01 Throughout ~~this book~~ these Rules, the following terms, ~~save except~~ where the context otherwise requires, have the following meanings:

...

“associate” has the meaning in rule 14A.111 [*See Appendix I of the CT Consultation Paper*]

...

“close associate”

(a) in relation to an individual means:—

(i) his spouse;

(ii) any child or step-child, natural or adopted, under the age of 18 years of ~~such the~~ individual or of his spouse (together with (a)(i) above, the “family interests”);

(iii) the trustees, acting in their capacity as ~~such~~ trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object; and

(iv) [Repealed 3 June 2010]

(v) any company in the equity capital of which he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or ~~such other any~~ amount ~~as may from time to time be~~ specified in the Takeovers Code as ~~being~~ the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company ~~which is its subsidiary~~; and

(b) in relation to a company means:—

- (i) ~~any other company which is its subsidiary or holding company or is a fellow subsidiary of any such its holding company;~~
- (ii) the trustees, acting in their capacity as ~~such~~ trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company's knowledge) a discretionary object; and

(iii) [Repealed 3 June 2010]

- (iv) any other company in the equity capital of which the company, ~~such other companies referred to in (b)(i) above~~ its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or ~~such other any amount as may from time to time be specified in the Takeovers Code as being~~ the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company which is its subsidiary;

(c) ~~Insofar as a depository is acting in its capacity as a depository for depository receipts, it shall is not be treated as an associate of holders of the depository receipts for the purposes of (a) and (b) merely by reason of the fact that~~ because it is holding the shares of the issuer for the benefit of the holders of the depository receipts.

Notes (1) ~~This definition is modified in the context of connected transactions by virtue of rules 14A.11, 14A.12 and 14A.12A.~~

(2) ~~In the case of~~ For a PRC issuer, its directors, supervisors, chief executive and substantial shareholders, the definition is ~~amended to have~~ has the same meaning as in rule 19A.04.

...

“connected person”

has the meaning in rule 14A.111 [See Appendix I of the CT Consultation Paper]

...

“restricted connected person”

- (a) ~~in relation to~~ for a company other than a PRC issuer, ~~and other than~~ or any subsidiaries of a PRC issuer, means a director, chief executive or substantial shareholder of ~~such~~ the company or any of its subsidiaries or an associate of any of them; and
- (b) ~~in relation to~~ for a PRC issuer means a director, supervisor, chief executive or substantial shareholder of the PRC issuer or any of its subsidiaries or an associate of any of them

Note — This definition is modified in the case of Chapter 14A only by the provisions of rules 14A.11, 14A.12 and 14A.12A.

...

“IFA group”

- (a) the independent financial adviser;
- (b) ~~any~~ its holding company of the independent financial adviser;
- (c) any subsidiary of ~~any~~ its holding company of the independent financial adviser;
- (d) any controlling shareholder of:
 - (i) the independent financial adviser; or
 - (ii) ~~any~~ its holding company of the independent financial adviser, ~~which controlling shareholder is not, itself, a holding company of the independent financial adviser; and~~
- (e) any close associate of any controlling shareholder referred to in paragraph (d) ~~above~~

...

Chapter 3A

GENERAL

SPONSORS AND COMPLIANCE ADVISERS

Definitions and Interpretations

3A.01 In this Chapter:

(1) ...

...

(9) “sponsor group” means:

(a) a sponsor;

(b) ~~any its holding company of the sponsor;~~

(c) any subsidiary of ~~any its holding company of the sponsor;~~

(d) any controlling shareholder of:

(i) the sponsor; or

(ii) ~~any its holding company of the sponsor,~~

~~which controlling shareholder is not, itself, a holding company of the sponsor; and~~

(e) any close associate of any controlling shareholder referred to in paragraph (d) above; and

...

...

3A.07 At least one sponsor of a new applicant must be independent of ~~the new applicant~~. A sponsor is not independent if any of the following circumstances exist at any time from the date of submission ~~to the Exchange~~ of a listing application on Form A1 ~~in accordance with rule 9.03~~ up to the date of listing. The sponsor ~~is required to~~ must demonstrate to the Exchange its independence or lack of independence and shall submit ~~to the Exchange~~ it a statement ~~pursuant to~~ under rule 3A.08:

- (1) the sponsor group and any director or close associate of a director of the sponsor collectively holds or will hold, directly or indirectly, more than 5% of the issued share capital of the new applicant, ~~save and~~ except where that holding arises as a result of an underwriting obligation;
- (2) the fair value of the direct or indirect current or prospective shareholding of the sponsor group in the new applicant exceeds or will exceed 15% of the net equity shown in the latest consolidated financial statements of the sponsor's ultimate holding company or, where there is no ultimate holding company, the sponsor;
- (3) any member of the sponsor group or any director or close associate of a director of the sponsor is an associate or connected person of the new applicant;
- (4) 15% or more of the proceeds raised from the initial public offering of the new applicant are to be applied directly or indirectly to settle debts due to the sponsor group, ~~save and~~ except where those debts are on account of fees payable to the sponsor group ~~pursuant to~~ under its engagement ~~by the new applicant~~ for sponsorship services;
- (5) the aggregate of:
 - (a) amounts due to the sponsor group from the new applicant and its subsidiaries; and
 - (b) all guarantees given by the sponsor group on behalf of the new applicant and its subsidiaries,
 exceeds 30% of the total assets of the new applicant;
- (6) the aggregate of:
 - (a) amounts due to the sponsor group from:
 - (i) the new applicant;
 - (ii) ~~the new applicant's~~ sits subsidiaries;
 - (iii) ~~any~~ its controlling shareholder ~~of the new applicant~~; and
 - (iv) any associates of ~~any~~ its controlling shareholder ~~of the new applicant~~; and
 - (b) all guarantees given by the sponsor group on behalf of:
 - (i) the new applicant;
 - (ii) ~~the new applicant's~~ sits subsidiaries;
 - (iii) ~~any~~ its controlling shareholder ~~of the new applicant~~; and
 - (iv) any associates of ~~any~~ its controlling shareholder ~~of the new applicant~~,
 exceeds 10% of the total assets shown in the latest consolidated financial statements of the sponsor's ultimate holding company or, where there is no ultimate holding company, the sponsor;

- (7) the fair value of the direct or indirect shareholding of:
- (a) a director of the sponsor;
 - (b) a director of ~~any~~its holding company ~~of the sponsor~~;
 - (c) ~~an~~ close associate of a director of the sponsor; or
 - (d) ~~an~~ close associate of a director of ~~any~~its holding company ~~of the sponsor~~

in the new applicant exceeds HKD 5 million;

- (8) an employee or director of the sponsor who is directly engaged in providing the ~~subject~~ sponsorship services to the new applicant, or ~~an~~his close associate ~~of such an employee or director~~, holds or will hold shares in the new applicant or has or will have a beneficial interest in shares in ~~the new applicant~~it;
- (9) any of the following has a current business relationship with the new applicant or a director, subsidiary, holding company or substantial shareholder of the new applicant, which would be reasonably considered to affect the sponsor's independence in performing its duties as set out in this Chapter, or might reasonably give rise to a perception that the sponsor's independence would be so affected, ~~save and~~ except where that relationship arises ~~pursuant to~~ under the sponsor's engagement ~~by the new applicant for the purpose of~~ to provide sponsorship services:
- (a) any member of the sponsor group;
 - (b) an employee of the sponsor who is directly engaged in providing the ~~subject~~ sponsorship services to the new applicant;
 - (c) ~~an~~ close associate of an employee of the sponsor who is directly engaged in providing the ~~subject~~ sponsorship services to the new applicant;
 - (d) a director of any member of the sponsor group; or
 - (e) ~~an~~ close associate of a director of any member of the sponsor group;

...

...

Chapter 8

EQUITY SECURITIES

QUALIFICATIONS FOR LISTING

...

8.08 There must be an open market in the securities for which listing is sought. This will normally mean that:—

(1) (a) ...

(b) ...

Notes: (1) ...

(2) *Where the percentage has fallen below the minimum, the Exchange may refrain from suspension if the Exchange is satisfied that there remains an open market in the securities and either:*

(a) *the shortfall in the prescribed percentage arose purely from an increased or newly acquired holding of the listed securities by a person who is, or after such acquisition becomes, a restricted connected person only because he is a substantial shareholder of the issuer and/or any of its subsidiaries. Such substantial shareholder must not be a controlling shareholder or single largest shareholder of the issuer. He must also be independent of the issuer, directors and any other substantial shareholders of the issuer and must not be a director of the issuer. If the substantial shareholder has any representative on the board of directors of the issuer, he must demonstrate that ~~such the~~ representation is on a non-executive basis. In general, the Exchange would expect this to apply to holdings of the listed securities by institutional investors with a wide spread of investments other than in the listed securities concerned. Holdings of the listed securities by venture capital funds which have been involved in the management of the issuer before and/or after listing would not qualify. ~~It is the responsibility of The issuer to~~ must provide sufficient information to the Exchange to demonstrate the independence of such substantial shareholder and to inform the Exchange of any change in circumstances which would affect his independence as soon as it becomes aware of such change; or*

(b) ...

...

8.24 The Exchange will not regard any restricted connected person of the issuer as a member of “the public” or shares held by a ~~restricted connected person him~~ as being “in public hands”. In addition the Exchange will not recognise as a member of “the public”:—

- (1) any person whose acquisition of securities has been financed directly or indirectly by a restricted connected person;
- (2) any person who is accustomed to take instructions from a restricted connected person in relation to the acquisition, disposal, voting or other disposition of securities of the issuer registered in his name or otherwise held by him.

...

Chapter 9

EQUITY SECURITIES

APPLICATION PROCEDURES AND REQUIREMENTS

...

9.09 There must be no dealing in the securities for which listing is sought by any restricted connected person of the issuer (except as permitted by rule 7.11):

- (a) in the case of listing application by listed issuers, from the time of submission of the formal application for listing until listing is granted; and
- (b) in the case of a new applicant, from 4 clear business days before the expected hearing date until listing is granted.

The directors of the issuer for whose securities listing is being sought shall forthwith notify the Exchange of any such dealing or suspected dealing of which they become aware. If any of the directors or their close associates are found to have engaged in such dealing, the application may be rejected.

...

Chapter 10

EQUITY SECURITIES

RESTRICTIONS ON PURCHASE AND SUBSCRIPTION

...

10.03 Directors of the issuer and their close associates may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant, whether in their own names or through nominees if the following conditions are met:—

- (1) that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and

- (2) that the minimum prescribed percentage of public shareholders required by rule 8.08(1) is achieved.

...

Chapter 13

EQUITY SECURITIES

CONTINUING OBLIGATIONS

...

Minimum prescribed public holdings and other listings

13.32 (1) ...

...

- (4) Where the percentage has fallen below the minimum, the Exchange may refrain from suspension if ~~the Exchange~~ it is satisfied that there remains an open market in the securities and either:

- (a) the shortfall in the prescribed percentage arose purely from an increased or newly acquired holding of the listed securities by a person who is, or after such acquisition becomes, a restricted connected person only because he is a substantial shareholder of the issuer and/or any of its subsidiaries. Such substantial shareholder must not be a controlling shareholder or single largest shareholder of the issuer. He must also be independent of the issuer, directors and any other substantial shareholders of the issuer and must not be a director of the issuer. If the substantial shareholder has any representative on the board of directors of the issuer, he must demonstrate that such representation is on a non-executive basis. In general, the Exchange would expect this to apply to holdings of the listed securities by institutional investors with a wide spread of investments other than in the listed securities concerned. Holdings of the listed securities by venture capital funds which have been involved in the management of the issuer before and/or after listing would not qualify. It is the responsibility of the issuer to provide sufficient information to the Exchange to demonstrate the independence of such substantial shareholder and to inform the Exchange of any change in circumstances which would affect his independence as soon as it becomes aware of such change; or

- (b) ...

...

13.84 An independent financial adviser must be independent from any issuer for whom it acts. An independent financial adviser is not independent if any of the following circumstances exist as at the time of making the declaration required by rule 13.85(1):

- (1) the IFA group and any director or close associate of a director of the independent financial adviser holds, directly or indirectly, in aggregate more than 5% of the issued share capital of the issuer, another party to the transaction, or an associate or connected person of the issuer or another party to the transaction;
- (2) any member of the IFA group or any director or close associate of a director of the independent financial adviser is an associate or connected person of the issuer or another party to the transaction;
- (3) any of the following exceeds 10% of the total assets shown in the latest consolidated financial statements of the independent financial adviser's ultimate holding company or, where there is no ultimate holding company, the independent financial adviser:
 - (a) the aggregate of:
 - (i) amounts due to the IFA group from:
 - (A) the issuer;
 - (B) ~~the issuer's~~ its subsidiaries;
 - (C) ~~any~~ its controlling shareholder ~~of the issuer~~; and
 - (D) any associates of ~~any~~ its controlling shareholder ~~of the issuer~~; and
 - (ii) all guarantees given by the IFA group on behalf of:
 - (A) the issuer;
 - (B) ~~the issuer's~~ its subsidiaries;
 - (C) ~~any~~ its controlling shareholder ~~of the issuer~~; and
 - (D) any associates of ~~any~~ its controlling shareholder ~~of the issuer~~;
 - (b) the aggregate of:
 - (i) amounts due from the IFA group to:
 - (A) the issuer;
 - (B) ~~the issuer's~~ its subsidiaries; and
 - (C) ~~any~~ its controlling shareholder ~~of the issuer~~; and
 - (ii) all guarantees given on behalf of the IFA group by:
 - (A) the issuer;
 - (B) ~~the issuer's~~ its subsidiaries; and

- (C) ~~any its controlling shareholder of the issuer;~~
- (c) the aggregate of:
- (i) amounts due from the IFA group to any of the following (referred to in this rule as “the Other Parties”):
- (A) another party to the transaction;
- (B) any holding company of another party to the transaction;
- (C) any subsidiary of any holding company of another party to the transaction;
- (D) any controlling shareholder of:
- (1) another party to the transaction; or
- (2) any holding company of another party to the transaction, ~~which controlling shareholder is not, itself, a holding company of another party to the transaction;~~ and
- (E) any associate of any controlling shareholder referred to in paragraph (D) above; and
- (ii) all guarantees given by any of the Other Parties on behalf of the IFA group; and
- (d) the aggregate of:
- (i) amounts due to the IFA group from any of the Other Parties; and
- (ii) all guarantees given by the IFA group on behalf of any of the Other Parties;
- (4) any of the following has a current business relationship with the issuer or another party to the transaction, or a director, subsidiary, holding company or substantial shareholder of the issuer or another party to the transaction, which would be reasonably considered to affect the independent financial adviser’s independence in performing its duties as set out in the Exchange Listing Rules, or might reasonably give rise to a perception that the independent financial adviser’s independence would be so affected, ~~save and except where that relationship arises pursuant to~~ under the independent financial adviser’s appointment ~~for the purpose of to provide the subject~~ advice:
- (a) any member of the IFA group;
- (b) an employee of the independent financial adviser who is directly engaged in providing the ~~subject~~ advice to the issuer;
- (c) ~~a~~ a ~~close~~ associate of an employee of the independent financial adviser who is directly engaged in providing the ~~subject~~ advice to the issuer;
- (d) a director of any member of the IFA group; or

- (e) an close associate of a director of any member of the IFA group;
- (5) within 2 years prior to making the declaration pursuant to rule 13.85(1):
- (a) a member of the IFA group has served as a financial adviser to:
 - (i) the issuer or its subsidiaries;
 - (ii) another party to the transaction or its subsidiaries; or
 - (iii) a connected person of the issuer or another party to the transaction; or
 - (b) without limiting paragraph (a), an employee or a director of the independent financial adviser who is directly engaged in providing the subject advice to the issuer:
 - (i) was employed by or was a director of another firm that served as a financial adviser to any of the entities referred to at paragraphs (a)(i) to (a) (iii) above; and
 - (ii) in that capacity, was directly engaged in the provision of financial advice to the issuer or another party to the transaction;

...

Chapter 14

EQUITY SECURITIES

NOTIFIABLE TRANSACTIONS

...

14.66 A circular relating to a major transaction must contain: -

- (1) ...
- ...
- (8) information as to the competing interests (if any) of each of the directors and any proposed director of the issuer and his/her close associates (as if each of them were treated as a controlling shareholder under rule 8.10);

...

...

Chapter 17

EQUITY SECURITIES

SHARE OPTION SCHEMES

...

17.03 The scheme document must include the following provisions and/or provisions as to the following (as the case may be):

(1) ...

...

(4) the maximum entitlement of each participant under the scheme;

Note: Unless approved by shareholders in the manner set out in this note to rule 17.03(4),

~~“Associate” for this purpose shall have the meaning ascribed to it in rule 1.01 of Chapter 1 in relation to any director, chief executive or substantial shareholder (being an individual).~~

...

...

Chapter 19A

EQUITY SECURITIES

ISSUERS INCORPORATED IN THE PEOPLE’S REPUBLIC OF CHINA

...

Definitions and Interpretation

19A.04 The following terms, save where the context otherwise requires, have the following meanings:-

“close associate”

for a PRC issuer:—

(a) in relation to an individual means:—

(i) his spouse;

- (ii) any child or step-child, natural or adopted, under the age of 18 years of ~~such the~~ individual or of his spouse (together with (a)(i) above, the “family interests”);
- (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object;
- (iv) [Repealed 3 June 2010]
- (v) any company (including an equity joint venture established under PRC law) in the equity capital of which he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or ~~such other any~~ amount ~~as may from time to time be~~ specified in applicable PRC law as ~~being~~ the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this~~other~~ company ~~which is its subsidiary~~; and
- (vi) any company with which or individual with whom he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested in a cooperative or contractual joint venture (whether or not constituting a separate legal person) under PRC law where he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together directly or indirectly have 30% (or ~~such other any~~ amount ~~as may from time to time be~~ specified in applicable PRC law as ~~being~~ the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more interest either in the capital and/or assets contributions to such joint venture or in the contractual share of profits or other income from such joint venture; and

- (b) in relation to a company means:—
- (i) ~~any other company which is~~ its subsidiary or holding company or ~~is~~ a fellow subsidiary of ~~any such~~ its holding company;
 - (ii) the trustees, acting in their capacity as ~~such~~ trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company's knowledge) a discretionary object;
 - (iii) [Repealed 3 June 2010]
 - (iv) any other company (including an equity joint venture established under PRC law) in the equity capital of which the company, ~~such other companies referred to in (b)(i) above~~ its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or ~~such other any amount as may from time to time be~~ specified in applicable PRC law as ~~being~~ the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company which is its subsidiary; and
 - (v) any other company with which or any individual with whom the company, ~~such other companies referred to in (b)(i) above~~ its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b) (ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested in a cooperative or contractual joint venture (whether or not constituting a separate legal person) under PRC law where it, ~~such other companies referred to in (b)(i) above~~ its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together directly or indirectly have 30% (or ~~such other any amount as may from time to time be~~ specified in applicable PRC law as ~~being~~ the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more interest either in the capital and/or assets contributions to such joint venture or in the contractual share of profits or other income from such joint venture.

~~Note 1 This definition is modified in the context of connected transactions by virtue of rules 14A.11, 14A.12 and 14A.12A.~~

~~Note 2 Under rule 19A.19 the Exchange may from time to time determine that certain persons or entities should be treated as connected person of a PRC issuer for the purposes of the connected transaction provisions of Chapter 14A.~~

Chapter 19B

EQUITY SECURITIES

DEPOSITARY RECEIPTS

...

19B.03 For the purpose of the Exchange Listing Rules, a depositary shall not be:

- (a) an “associate” ~~or “close associate”~~ ;
- (b) a “controlling shareholder”;
- (c) a “substantial shareholder”; or
- (d) excluded from being treated as a member of the public under rule 8.24,

merely by reason of the fact that it is holding shares of an issuer as depositary for the benefit of depositary receipt holders.

...

Chapter 21

INVESTMENT VEHICLES

INVESTMENT COMPANIES

...

21.13 The Listing Agreement for an investment company will state that the provisions of Chapter 14 will not apply to investment companies save for rule 14.06(3), 14.06(4), 14.34 to 14.37, 14.38A, 14.40 to 14.46, 14.48 to 14.53 (for very substantial disposals), 14.58, 14.60 to 14.63, 14.66 to 14.68, 14.70 to 17.77, 14.85 and 14.86. ~~For the purposes of rule 14A.13, any investment manager, investment adviser or custodian (or any connected person thereof) shall be regarded as a connected person of the issuer.~~

...

The Stock Exchange of Hong Kong Limited

Practice Note 4

to the Rules Governing the Listing of Securities
(the “Exchange Listing Rules”)

Issued pursuant to rule 1.06 of the Exchange Listing Rules

ISSUE OF NEW WARRANTS TO EXISTING WARRANTHOLDERS

...

4. The Exchange’s New Requirements

Where an issuer proposes to issue new warrants to existing warrant holders or to alter the exercise period or the exercise price of existing warrants, the Exchange will not approve the issue of the new warrants or the proposed alteration in the terms of existing warrants, unless the following requirements additional to rule 15.02(2) are met:—

a) ...

...

d) the relevant circulars to shareholders and warrant holders must both contain details of any dealings by the issuer, and, where relevant, the manager of the issue of new warrants, or any of their respective close associates and any dealings by any restricted connected persons of the issuer (so far as is known to the issuer or any director of the issuer after making reasonable enquiries) in the existing warrants and the underlying securities to which the warrants relate, during the period commencing three months prior to the announcement of the warrant proposal and ending on the date of the relevant circular. If such disclosure reveals that any such persons have been actually dealing in either the warrants or the underlying securities the Exchange reserves the right not to approve the issue of the new warrants or the proposed alteration in the terms of the existing warrants;

...

Appendix 1

Contents of Listing Documents

Part A

Equity Securities

In the case where listing is sought for equity securities of an issuer no part of whose share capital is already listed

...

- 27A. Details of any controlling shareholder of the issuer, including the name or names of any such controlling shareholder, the amount of its or their interest in the share capital of the issuer and a statement explaining how the issuer is satisfied that it is capable of carrying on its business independently of the controlling shareholder (including any close associate thereof) after listing, and particulars of the matters that it relied on in making such statement.

...

Appendix 1

Contents of Listing Documents

Part E

Depository receipts

In the case where listing is sought for depository receipts of an issuer no part of whose share capital is already listed

...

- 27A. Details of any controlling shareholder of the issuer, including the name or names of any such controlling shareholder, the amount of its or their interest in the share capital of the issuer and a statement explaining how the issuer is satisfied that it is capable of carrying on its business independently of the controlling shareholder (including any close associate thereof) after listing, and particulars of the matters that it relied on in making such statement.

...

Appendix 5

Marketing Statement

Form D

...

I hereby certify that to the best of my knowledge and belief, none of the securities placed by me have been placed with the directors of the issuer or their close associates or any existing shareholder of the issuer or any nominee of any of the foregoing.

...

Appendix 6

Placing Guidelines

– for –

Equity Securities

New Applicants

1. ...

...

5. No allocations will be permitted to:-

(1) ...

(2) directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in rules 10.03 and 10.04 are fulfilled; or

...

...

Appendix 13

Part B

THE CAYMAN ISLANDS

...

Section 1

ADDITIONAL REQUIREMENTS FOR THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF ISSUERS INCORPORATED OR OTHERWISE ESTABLISHED IN THE CAYMAN ISLANDS

...

5. As to directors

(1) ...

(2) The articles of association shall restrict the making of loans to directors and their close associates and shall import provisions at least equivalent to the provisions of Hong Kong law prevailing at the time of the adoption of the articles of association.

...

Appendix 10

Model Code for Securities Transactions by Directors of Listed issuers

...

Rules

...

4. Where a director is a sole trustee, the provisions of this code will apply to all dealings of the trust as if he were dealing on his own account (unless the director is a bare trustee and neither he nor any of his close associates is a beneficiary of the trust, in which case the provisions of this code will not apply).

5. Where a director deals in the securities of a listed issuer in his capacity as a co-trustee and he has not participated in or influenced the decision to deal in the securities and is not, and none of his close associates is, a beneficiary of the trust, dealings by the trust will not be regarded as his dealings.

...

APPENDIX III: PRIVACY POLICY STATEMENT

Hong Kong Exchanges and Clearing Limited and from time to time, its subsidiaries, affiliated companies controlling it or under common control with it and its joint ventures (each such entity, from time to time, being “**HKEx**”, “**we**”, “**us**” or an “**affiliate**” for the purposes of this Privacy Policy Statement as appropriate) recognises its responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) (“PDPO”). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by HKEx is accurate. HKEx will use your personal data in accordance with this Privacy Policy Statement.

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If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels below.

HKEx will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorized personnel.

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Purpose

From time to time we may collect your personal data such as your name, mailing address, telephone number, email address and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;
2. to perform or discharge the functions of HKEx and any company of which HKEx is the recognised exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571));
3. to provide you with our products and services and administer your account in relation to such products and services;
4. to conduct research and statistical analysis; and
5. other purposes directly relating to any of the above.

Direct marketing

Except to the extent you have already opted out or in future opt out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to our financial services and information services, and related financial services and information services offered by our affiliates.

If you do not wish to receive any promotional and direct marketing materials from HKEx or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels below.

Identity Card Number

We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

Transfers of personal data for direct marketing purposes

Except to the extent you have already opted out or in future opt out, we may transfer your name, mailing address, telephone number and email address to our affiliates for the purpose of enabling our affiliates to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

Other transfers of personal data

For one or more of the purposes specified above, the personal data may be:

1. transferred to our affiliates and made available to appropriate persons in our affiliates, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong; and
2. supplied to any agent, contractor or third party who provides administrative or other services to HKEx and/or any of our affiliates in Hong Kong or elsewhere.

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