

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2013042.pdf>

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

- 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”?

☒ Yes

☐ No

If your answer is “No”, please give reasons for your views.

We support for this proposal, because it would distinguish the concept of “connected person” and “associate” under Chapter 14A, which is generally wider in scope, from other chapters.

- 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 of the Consultation Paper with those used in Chapter 14A? If not, please give reasons for your views.

Rule no.	Yes	No	If your answer is “No”, please provide reasons.
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Transactions

1.	R14.06(b), R14.23B(2)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree to the alignment in these Rules because it has the effect of extending the reverse takeover rules to cover acquisitions of assets from the family members and companies controlled by them (the “Extended Associates”) of the issuer’s incoming controlling shareholder.
	R14.92	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree to the alignment in this Rule for the same reason outlined in item 1(R14.06(b), R14.23B(2)) above.
2.	R14.58(3), R14.63(3)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HKAB agrees to the alignment in these Rules. The issuer needs to ascertain whether the counterparty or its ultimate beneficial owner is a connected party within the definition of Chapter 14A (the “Extended

Rule no.	Yes	No	If your answer is "No", please provide reasons.
			Connected Persons"). Therefore, it is reasonable for these Rules to have the same definitions for connected persons as Chapter 14A to ensure consistency.
3.	R5.03, PN12- Para 15	<input checked="" type="checkbox"/>	<input type="checkbox"/> HKAB agrees to the alignment in these Rules since they directly relate to the disclosure requirements in Chapter 14A. The alignment would ensure consistency between Rules.

Issues of securities

4.	R7.21(2), R7.26A(1)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>HKAB does not support the alignment in these Rules. The proposed alignment extends the shareholder approval requirement for a rights issue or open offer underwritten by a director, chief executive or substantial shareholder of the issuer to their Extended Associates. The proposed alignment has the effect of imposing additional compliance requirements on issuers.</p> <p>On a side note, the proposed alignment should be in relation to R7.26A(2), instead of R7.26(1) as suggested in the rule reference column on page 9 of the consultation paper.</p>
5.	N1 to R13.36(2)(b), R19A.38	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>HKAB supports the alignment in these Rules.</p> <p>These Rules directly refers to Chapter 14A and it would make sense to align the definition of connected person to ensure consistency.</p>

Share option schemes

6.	R17.03(4)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>HKAB supports the alignment of definitions in this Rule.</p> <p>R14A.31(3)(b) exempts issues of new securities under a share option scheme that is compliant with Chapter 17. Therefore, we think it is reasonable that the definitions of associates and connected persons in Chapter 17 in relation to the requirements for share option schemes should be consistent with Chapter 14A.</p>
	R17.04(1), N1 to R17.04(3)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB supports the alignment in

Rule no.	Yes	No	If your answer is "No", please provide reasons.
			these Rules for the same reasons as outlined in item 6(R17.03(4)) above.
R17.06A, R17.07	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB supports the alignment in these Rules for the same reasons as outlined in item 6(R17.03(4)) above.

Repurchases of securities

7.	R10.06(1), (2)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	In order to maintain consistency with Chapter 14A.31(5), it is reasonable for the definitions of connected persons and associates in R10.06(1) and (2) to be aligned with Chapter 14A. HKAB supports this alignment of definitions.
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Voting at general meeting

8.	R2.16	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree with the alignment in this Rule. The proposal will expand the definition of associate for the purpose of determining material interest in a transaction.
	N2 to R14.33, R14.46, R14.49, R14.55, R14.63(2)(d)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree with the alignment in these Rules. The Extended Associates, being family members and companies controlled by them, of the materially interested shareholder will be required to abstain from voting on notifiable transactions under the proposal. The proposed alignment has the effect of extending the existing compliance requirement and is more burdensome for the issuer.
	R13.68	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB agrees with the alignment in this Rule. Similar to the reasoning in our response to item 12(App14 – Para B.1.2(h)), we agree that it is reasonable for Extended Associates of a director to be prohibited from voting on the service contract of that director.
	PN15 – Para 3(e)(2)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree with the alignment in this Rule. The proposal will restrict the Extended Associates of a controlling shareholder from voting on a spin-off proposal which such controlling shareholder is materially interested in. The proposed alignment has the effect of extending the existing compliance

Rule no.	Yes	No	If your answer is "No", please provide reasons.
			requirement and is more burdensome for the issuer.
9. R6.12, R6.13, R7.19, R7.24, R13.36(4), R14.90, R14.91, Note to R13.39	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>HKAB does not agree with the alignment in these Rules. The Extended Associates (ie, their family members and companies controlled by them) of the controlling shareholder will be restricted from voting on the following matters:</p> <ul style="list-style-type: none"> • voluntary withdrawal of listing; • large scale rights issue or open offer; • refreshment of general mandate; and • transaction that would result in a fundamental change in the issuer's principal business activities within 12 months after listing. <p>The proposed alignment has the effect of extending the existing compliance requirement and is more burdensome for the issuer.</p>
10. PN4 - Para 4(c)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>HKAB supports the alignment of connected person in this Rule. HKAB agrees that if such Extended Connected Persons have substantial holdings in outstanding warrants, there is a conflict of interest for allowing these persons to vote to issue new warrants to him/it or change major terms of the existing warrants held by him/it.</p>
11. R21.04(3)(d)	<input type="checkbox"/>	<input type="checkbox"/>	<p>None of HKAB's members are Investment Companies and accordingly we do not express a view on this proposal.</p>

Voting at, and quorum for, board meeting

12. R13.44	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>HKAB does not agree with the alignment in this Rule. It will restrict directors from voting on any board resolution approving matters in which his Extended Associates have a material interest. The proposed alignment has the effect of extending the existing compliance requirement and is more burdensome for the issuer.</p>
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Rule no.	Yes	No	If your answer is "No", please provide reasons.
App3 – Para 4(1), N1 to App3	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree with the alignment in these Rules for the same reasons as outlined in our response to item 12(R13.44). It has the effect of restricting directors from voting, or being counted as part of the quorum, on any board resolution approving any matter in which his Extended Associates have a material interest. This extends the existing compliance requirement and is more burdensome for the issuer.
App14 – Para A.1.7	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree with the alignment in this Rule. It will exclude INEDs whose Extended Associates have a material interest in the transaction from being present at votes where conflicts of interest are being considered. This extends the existing compliance requirement and is more burdensome for the issuer.
App14 – Para B.1.2(h)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB supports the alignment in this Rule. We agree that it is reasonable to exclude the Extended Associates of a director from voting to decide his/her remuneration.

Independent non-executive directors ("INEDs"), independent financial advisers ("IFAs") and sponsor

13.	R3.13	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB agrees with the alignment in this Rule. INEDs and IFAs will be used to decide matters which will involve Chapter 14A transactions. They can only be considered to be independent if they are assessed on the same criteria as they would need to assess a connected transaction under Chapter 14A.
	R13.84 (see also item no. 14 below)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB agrees with the alignment in this Rule for the same reasons as outlined in our response to item 13 (R3.13) above.
	R13.80 (see also item no. 14 below)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB agrees with the alignment in this Rule for the same reasons as outlined in our response to item 13 (R3.13) above.
	R3A.07(3), (6)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB agrees with the alignment in this Rule for the same reasons as outlined in our response to item 13

Rule no.	Yes	No	If your answer is "No", please provide reasons.
			(R3.13) above.
PN21 – Para 14(g)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HKAB agrees with the alignment in this Rule for the same reasons as outlined in our response to item 13 (R3.13) above.
14. R13.84	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HKAB agrees with the alignment in this Rule for the same reasons as outlined in our response to item 13 (R3.13) above.
R13.80	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HKAB agrees with the alignment in this Rule for the same reasons as outlined in our response to item 13 (R3.13) above.
15. R3A.05	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not support the alignment in this Rule. The proposal will require the Extended Associates of the substantial shareholders to assist the sponsor in performing its role. This extends the existing compliance requirement and is more burdensome for the issuer.

Disclosures in issuers' documents

16. R7.16	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree with the alignment in this Rule. The proposal will require the issuer to disclose the holdings of its directors' Extended Associates. This extends the existing compliance requirement and is more burdensome for the issuer.
App1A – Para 28(1)(b)(v), App1E – Para 28(1)(b)(v)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree with the alignment in these Rules for the same reasons as outlined in our response to item 16(R7.16) above.
App1B – Para 26(1)(b)(v), App1F – Para 22(1)(b)(v), App16 – Para 31(5)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HKAB does not agree with the alignment in these Rules for the same reasons as outlined in our response to item 16(R7.16) above.
R21.08(12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HKAB agrees with the alignment in this Rule since the associate of any investment company is already the same under Chapters 1 and 14A.

Rule no.	Yes	No	If your answer is "No", please provide reasons.
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Depository

17.	R19B.03	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HKAB agrees with the alignment in this Rule as it clarifies the definition of depository throughout the Listing Rules.
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Investment companies

18.	R21.04 (3)(a)	<input type="checkbox"/>	<input type="checkbox"/>	None of HKAB's members are Investment Companies and accordingly we do not express a view on this proposal.
	R21.04 (4)	<input type="checkbox"/>	<input type="checkbox"/>	None of HKAB's members are Investment Companies and accordingly we do not express a view on this proposal.

The scope of the definitions of these terms under Chapter 14A is wider than those under Chapter 1 and other Chapters that use these terms. Therefore, although the proposal is packaged as an alignment of definitions, it has the effect of extending the existing scope of a "connected person" and/or "associate" in certain Rules.

By adopting the Chapter 14A definitions in the other Chapters, the proposal may have the effect of imposing additional compliance requirements on issuers and may have other unintended consequences.

- End -