



公 司 註 冊 處  
COMPANIES REGISTRY

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5 July 2013

Corporate and Investor Communications Department  
Hong Kong Exchanges and Clearing Limited  
12/F, One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

**By Fax & By Mail : (852)2524 0149**

Dear Sirs,

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

We refer to the Consultation Paper on Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules.

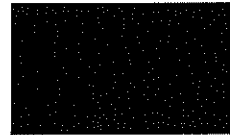
We welcome and support the proposals in the Consultation Paper which are introduced with a view to improving the clarity of the Rules and the ease of compliance for issuers. Our response to the consultation is attached.

We have considered the proposals in the Consultation Paper in the light of the connected transaction provisions in Part 11 of the new Companies Ordinance (No. 28 of 2012). Part 11 of the new Companies Ordinance governs fair dealing by directors and the connected transactions between a company and its directors, directors of its holding company, and/or entities connected with these directors. Section 486 of the new Companies Ordinance is a new

provision which defines the scope of a director's connected entities. Sections 487 and 488 are ancillary to section 486 and define respectively a director's family member and a body corporate associated with a director, both of which are regarded as connected entities. The new Companies Ordinance is expected to commence in 2014.

If you require any further information about the new Companies Ordinance or its implementation, please let us know.

Yours faithfully,



for Registrar of Companies

## **CR's Response**

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

#### **Introduction**

1. Currently, Chapter 1 (Interpretation) of the Listing Rules (the "Rules") contains the general definitions of "connected person" and "associate" which are used throughout the Rules. Chapter 14A (Connected Transactions) 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. The Paper highlights the differences of the definitions in Chapters 1 and 14A and reviews different parts of the Rules that currently use the Chapter 1 definitions. The Paper seeks market views on the proposals to –
  - rename the definitions of "connected person" and "associate" in Chapter 1; and
  - align the definitions of "" and "associate" used in various parts of the Rules with those in Chapter 14A.
3. We have considered the proposals in the light of the connected transaction provisions in Part 11 (Fair Dealing by Directors) of the new Companies Ordinance (No. 28 of 2012) ("new CO") which include a definition of "an entity connected with a director of a company".

#### **Definitions of connected person and associate**

##### **Proposal 1 : To rename the definitions in Chapter 1 [paragraphs 9-10 at page 7]**

4. As the current definitions of "connected person" and "associate" in Chapter 1 are used in the Rules for different purposes, the Exchange propose to rename the definitions in Chapter 1 as "restricted connected person" and "close associate" to distinguish them from those governed by Chapter 14A.
5. We have no comments on the proposal to rename the definitions.

**Proposal 2 : To align the meanings of connected person and associate in Chapter 14A and other parts of the Rules [paragraphs 11-13 at page 7]**

6. The Exchange propose to align the meanings of connected person and associate in the Rules set out in paragraph 13 of the Paper 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.

7. Comments :

7.1 The actual and potential conflicts between the duties and personal interests of directors is one of the major corporate governance concerns under the Companies Ordinance (Cap. 32) and the new CO. The connected transaction provisions in Part 11 of the new CO target mainly at transactions entered into by a company in favour of its directors, directors of its holding company, and/or entities connected with these directors.

7.2 In the new CO, persons closely associated with a director of a company or of the company's holding company, for example, specified categories of family members, cohabitees and their minor children, associated bodies corporate and specified categories of trustees and partners, are regarded as entities connected with a director. The "connected entities" in the new CO are in essence similar in nature to "associates" in the Rules though the scope of connected entities in the new CO is narrower. The meaning of "connected entity" is set out in sections 486 to 488 of the new CO.

7.3 The companies legislation in Hong Kong and the Rules are separate regulatory regimes and issuers incorporated in Hong Kong have to comply with both. The Exchange may like to take this opportunity to consider whether alignment of the definitions of "connected person" and "associate" in the Rules with the statutory provisions on definition of connected entity in the new CO is necessary for Hong Kong incorporated companies.

7.4 We have no other comments on this proposal .