

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.

No. Whilst I agree that the definition of "connected person" and "associate" in Chapter 1 of the Listing Rules should be renamed, however, I do not support the use of the term "restricted connected person" and "close associate", respectively.

As the definitions of connected person and associate contained in current Chapter 1 of the Listing Rules are different from those used in Chapter 14A of the Listing Rules, I tend to avoid using any term which include the words "connected person" and "associate" in the definitions of Chapter 1 of the Listing Rules so that there are absolutely clear distinction between the definitions used in Chapter 1 and Chapter 14A of the Listing Rules. Thus, I consider the definitions "restricted connected person" and "close associate" not satisfactory.

I have once considered using the term "related party" but this term has been widely used by accountants in their profession. I do not want to mix up the definition in Chapter 1 of the Listing Rules with that used in accounting profession. So, use of the term "related party" in Chapter 1 is not recommended either.

I believe the Stock Exchange may consider using the term "related person" (in contrast with "related party"). Alternately, the term "concerned party" or "concerned person" may also be a good choice.

As regards the definition for "associate" in Chapter 1 of the Listing Rules, I prefer using the term "affiliate" instead of "close associate".

My main point here is that the definition in Chapter 1 of the Listing Rules must be crystal clear to the issuers and practitioners that they are different from those used in Chapter 14A of the Listing Rules. Please kindly consider using the term "related person" or "concerned party" or "concerned person" and "affiliate" instead of "restricted connected person" and "close associate" in Chapter 1 of the Listing Rules, respectively. Please also see my hand written comments on the Draft Rule Amendments as shown in Appendix to this response.

- 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.

Response: Yes No If your answer is "No", please provide reasons

Transactions

1.	R14.06(b), R14.23B(2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	R14.92	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Rule 2.60	Yes	No	If you answer "No", please provide reasons
2. R14.58(3), R14.63(3)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
3. R5.03, PN12- Para 15	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Issues of securities

4.	R7.21(2), R7.26A(1)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
5.	N1 to R13.36(2)(b), R19A.38	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Share option schemes

6.	R17.03(4)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	R17.04(1), N1 to R17.04(3)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	R17.06A, R17.07	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Repurchases of securities

7.	R10.06(1), (2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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Voting at general meeting

8.	R2.16	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	N2 to R14.33, R14.46, R14.49, R14.55, R14.63(2)(d)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	R13.68	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	PN15 – Para 3(e)(2)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Item no.	Yes	No	If your answer is "No", please provide reasons
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 type="checkbox"/>	

10. PN4 - Para 4(c)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
11. R21.04(3)(d)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Voting at, and quorum for, board meeting

12. R13.44	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
App3 – Para 4(1), N1 to App3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
App14 – Para A.1.7	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
App14 – Para B.1.2(h)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

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

13. R3.13	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
R13.84 (see also item no. 14 below)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
R13.80 (see also item no. 14 below)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Rule no.		Yes	No	If you answered "No", please provide reasons.
	R3A.07(3), (6)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	PN21 – Para 14(g)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
14.	R13.84	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	R13.80	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
15.	R3A.05	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Disclosures in issuers' documents

16.	R7.16	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	App1A – Para 28(1)(b)(v), App1E – Para 28(1)(b)(v)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	App1B – Para 26(1)(b)(v), App1F – Para 22(1)(b)(v), App16 – Para 31(5)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	R21.08(12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Depositary

17.	R19B.03	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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Investment companies

Reference		Yes	No	Explain answer if "No" please
18.	R21.04 (3)(a)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	R21.04 (4)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

- End -

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"

↓
affiliate

(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

"restricted connected person"

related person
or
concerned 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