



Great Eagle
Holdings Limited
鷹君集團有限公司

(Incorporated in Bermuda with limited liability)

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BY FAX (2524 0149) AND BY POST

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

Dear Sirs,

Re: Responses to Consultation Papers on Review of Connected Transaction Rules and Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules

We refer to the Consultation Papers ("Consultation Papers") on Review of Connected Transaction Rules and Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules.

We are fully supportive of the Exchange's efforts to simplify the Connected Transaction Rules and address anomalies. In order to assist the Exchange to refine the Connected Transactions Rules, we wish to share our views and comments on some of the issues as raised in the Consultation Papers as follows:

- *Clarification on application of the principle-based tests for deeming a person as connected*

While we do not oppose to having principle-based tests for the deeming provisions, we consider further clarifications and illustrations on what would cause someone to be deemed as connected in the situations as set out in paragraph 95 of the Consultation Paper on the Review of Connected Transaction Rules are required.

- *Non-exercise of ROFR under a non-competition agreement shall be carved out*

We suggest the non-exercise of a right of first refusal ("ROFR") under a non-competition agreement between a listed holding company and a spin-off listed subsidiary ("new company") shall be carved out from the Connected Transactions Rules. In most cases, the listed holding company will be required to execute a non-competition agreement undertaking to offer a ROFR to the new company before it engages or takes up certain type of business opportunity. It may be too onerous to treat this type of rights as 'option' under



Chapter 14A and requires the new company to comply with the disclosure requirements (including seeking shareholders' approval) in every event when its Board of Directors (including the Independent Non-executive Directors) for commercial reasons does not consider the business opportunity attractive and decides not to exercise such right of first refusal under the non-competition agreement. Furthermore, premature disclosure of such business opportunity is highly unsatisfactory as it will be detrimental to the position of listed holding company during the negotiation process.

- *Adopting the Chapter 14A Associates in all context of Connected Transactions is unsuitable*

The scope of Associates defined under Chapter 14A is much wider than those defined under Chapter 1. The definitions of "connected person" and "associate" should only be used and applied in Chapter 14A when determining whether or not the party to the contract is a connected person or otherwise.

The remote relatives of a connected person owe no duty to the listed company, its directors or the regulators for disclosing their interests. It is therefore very difficult, if not impossible, to require them to disclose or abstain from voting. We consider simply adopting the Chapter 14A Associates in all context of Connected Transactions is unsuitable. Even if such Associate discloses his/her holdings to the Company, the Company is unable to verify the information.

The renamed definitions of "restricted connected person" and "close associate" should be used and applied in other parts of the Rules so that there will be changed only in names but not in substance.

We hope that the above comments can assist the Exchange to refine the Connected Transaction Rules. Meanwhile, if you require any clarifications on our comments, please do not hesitate to contact us.

Thank you for your kind attention.

Yours faithfully,
For and on behalf of

GREAT EAGLE HOLDINGS LIMITED

