

26 June 2013

BY HAND AND BY FAX

FAX NO.: 2524 0149

Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Attn: Corporate and Investor Communications Department

Dear Sirs,

Re: Consultation Paper on Review of Connected Transaction Rules

Ernst & Young is pleased to respond in this letter to the request of Hong Kong Exchanges and Clearing Limited ("HKEx") for comments regarding the proposals set out in the captioned Consultation Paper.

We welcome HKEx's continued efforts to simplify and improve the clarity of the Listing Rules in respect of connected transactions. We have focused our response on the proposals which are more relevant to our role as auditors.

Proposed rule 14A.57

We agree to the proposal set out in section F(3) of the Consultation Paper to modify the wording of the existing rule 14A.38 (the proposed rule 14A.57) relating to auditors' confirmation on continuing connected transactions to bring them in line with Practice Note 740 issued by the Hong Kong Institute of Certified Public Accountants.

Proposed rule 14A.58

We would also like to take the opportunity to provide our additional comments on the existing rule 14A.38 concerning the timing for copying the auditors' letter to HKEx. The existing rule 14A.38 (the proposed rule 14A.58) requires that a copy of the auditors' letter be provided to HKEx at least 10 business days prior to the bulk printing of the issuer's annual report. Some issuers may choose to bulk print their annual report right after the board of directors approves the announcement of their annual results. In these cases, the issuer would not be able to provide a copy of the auditors' letter to HKEx 10 business days prior to the bulk printing of its annual report because, at that time, its board of directors has not approved the annual results. Pursuant to the existing rule 14A.40, issuers are already obliged to promptly notify HKEx and publish an announcement if they know or have reason to believe that their auditors will not be able to issue an unqualified letter confirming the matters set out in the existing rule 14A.38. We raised the issue in our letter of 2 December 2009 in response to the Consultation Paper on Proposed Changes to the Connected Transaction Rules issued in 2009. We should be grateful if HKEx would give due consideration to revisit the



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deadline for submitting the auditors' letter. We suggest that the proposed rule 14A.58 be amended as follows, which would cater for different practical situations:

"The issuer must provide a copy of the auditors' letter to the Exchange at the time its board of directors approves the annual results or at least 10 business days before the bulk printing of its annual report, whichever is later."

Proposed rule 14A.60

We appreciate HKEx's initiative to revise Chapter 14A to make it more user friendly. We have one suggestion in respect of the wording of the proposed rule 14A.60 which has the current form in the Consultation Paper:

"The issuer must promptly notify the Exchange and publish an announcement if the independent non-executive directors and/or the auditors cannot confirm the matters as required..."

The existing rule 14A.40 has the following wording:

"A listed issuer shall promptly notify the Exchange and publish an announcement in accordance with rule 2.07C if it knows or has reason to believe that the independent non-executive directors and/or the auditors will not be able to confirm the matters set out in rules 14A.37 and/or 14A.38 respectively..."

The existing rule 14A.40 is more explicit in respect of the timeliness of the notification and announcement as it also refers to situations where the issuer "has reason to believe" that the independent non-executive directors and/or the auditors cannot confirm the matters as required. We suggest that the proposed rule 14A.60 be amended as follows in order to keep the essence of the existing rule 14A.40 whilst adhering to the plain-language principle:

"The issuer must promptly notify the Exchange and publish an announcement if it knows or expects that the independent non-executive directors and/or the auditors cannot confirm the matters as required..."

Should you have any questions on the above comments, please do not hesitate to contact our Professional Practice Partners in Hong Kong,

Yours faithfully,