

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/cp201408.pdf>.

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

Chapter I: Proposed Rule amendments to align the requirements for disclosure of financial information in Main Board Rules Appendix 16 and GEM Rules equivalent with reference to the disclosure provisions in the New Companies Ordinance

1. Do you agree that all issuers (whether or not they are incorporated in Hong Kong) should include disclosures under the provisions of the New Ordinance which reflect alignment of those provisions of the Predecessor Ordinance captured in Main Board Rules Appendix 16 and GEM Rules equivalent as set out in paragraphs 70 to 73 of the Consultation Paper?

Yes

No

Please give reasons for your views.

We generally agree with the proposal on the ground of ease of administration, both to issuers and regulators, although care is needed in the event of any conflict with the prevailing regulations of some countries in which an issuer is incorporated, and blanket application of which could be too onerous. For instance, we are particularly concerned about the proposed alignment with section 390 of the New Companies Ordinance which requires disclosure in the directors' report of the names of any persons who are or were directors of any of the subsidiaries included in the issuer's consolidated financial statements. We consider that this may not always be operationally feasible, especially for overseas issuers which are multinational groups that have a large number of subsidiaries. The proposed disclosure of director names does not appear to add any particular insights or value and ideally should be removed.

Paragraph 9 (2) 9.2 of Main Board Rules Appendix 16 allows a listed issuer, which has an excessive number of subsidiaries, to only include in the required statement details for subsidiaries which, in the opinion of the directors, materially contribute to the net income of the group or hold a material portion of the assets or liabilities of the group. If the above proposed alignment is adopted, we suggest as a minimum that a similar exemption should be provided.

Chapter II: Proposed Rule amendments to streamline the disclosure requirements of financial information in the Listing Rules with reference to Hong Kong Financial Reporting Standards

2. Do you agree with the proposed revision of Main Board Rules Chapter 4 and Appendix 16 and GEM Rules equivalent in order to streamline the Listing Rules and to avoid potential duplications with the accounting standards?

Yes

No

Please give reasons for your views.

We agree with the proposal, as it removes duplications of disclosures and enhances clarity for all issuers.

3. Do you agree with the proposed repeal of the disclosure requirements in relation to financial conglomerates in Main Board Rules Chapter 4 and Appendix 16 and GEM Rules equivalent?

Yes

No

Please give reasons for your views.

We agree with the proposal, as the existing disclosure requirements in relation to financial conglomerates are well covered by HKFRSs/IFRSs. Repealing the existing disclosure requirements in relation to financial conglomerates would avoid duplications and potential confusion arising from any difference between the requirements under accounting standards and those under the Listing Rules.

4. Do you agree with the proposed repeal of Main Board Rules Appendix 15 and GEM Rules equivalent in relation to bank reporting?

Yes

No

Please give reasons for your views.

We agree with the proposal, as the disclosure requirements in relation to bank reporting are well covered by HKFRSs/IFRSs, Banking (Disclosure) Rules and HKMA Supervisory Policy Manual. Repealing Appendix 15 would avoid duplications and potential confusion arising from any difference between the above requirements and those under the Listing Rules.

Chapter III: Other financial information disclosures related proposed Rule amendments

5. Do you agree with the proposed Rule amendments to require an issuer to publish an announcement as soon as practicable after the directors decide to revise the published financial statements and the reason leading to the revision of the financial statements?

Yes

No

Please give reasons for your views.

We agree with the proposal, as this would enable investors to be aware of potential issues and implications arising from the revisions in a timely manner.

6. Do you agree with the proposed Rule amendment to require disclosure in results announcements where an issuer has made a prior period adjustment to correct a material error?

Yes

No

Please give reasons for your views.

We agree with the proposal, as this improves transparency of issuers and alerts stakeholders who may wish to undertake further investigation to understand the potential implications.

7. Do you agree with the proposed Rule amendments to Main Board Rules Appendix 16 and GEM Rules equivalent to provide references to disclosure requirements relating to periodic financial reports currently required in other parts of the Listing Rules?

Yes

No

Please give reasons for your views.

We agree with the proposal as it enhances issuers' compliance with disclosure requirements under the Listing Rules. However, the usefulness of the list would be hindered if it is not exhaustive. If the list is exhaustive, it is suggested not to use the words "such as" in the amendments as these words suggest that those are examples rather than a full list of disclosures.

Chapter IV: Proposed Rule amendments consequential to the enactment of the New Companies Ordinance

8. Do you agree that the Listing Rules should be amended to align the notice period requirements for companies incorporated in Bermuda and the Cayman Islands with the relevant requirements under the New Ordinance?

Yes

No

Please give reasons for your views.

We agree with the proposal on condition that this is feasible, i.e. the proposal is not in conflict with the laws in these two countries that would otherwise render the relevant notice invalid in these countries.

9. Do you support the proposal to allow companies incorporated in Bermuda and the Cayman Islands to convene general meetings on shorter notice on the same terms as companies incorporated in Hong Kong (i.e. in accordance with the relevant provisions of the New Ordinance)?

Yes

No

Please give reasons for your views.

Please see our response to question 8.

Chapter V: Proposed minor Rule amendments

10. Do you agree with the proposal to amend Main Board Rule 13.45(1) and GEM Rules equivalent to require issuers to announce the expected payment dates for their dividends or other distributions as described in paragraph 143 of the Consultation Paper?

Yes

No

Please give reasons for your views.

We agree with the proposal, as it allows shareholders to have better planning of their cashflow and facilitates portfolio management of investors.

11. Do you agree with the proposal to amend Main Board Rule 5.03 and GEM Rules equivalent to clarify that a property valuation is required for the circular of any connected transaction that involves an acquisition or disposal of any property interest or property company?

Yes

No

Please give reasons for your views.

We agree with the proposal as a means to clarify the requirement for preparing an independent property valuation in the relevant circular; but wonder if this adds any value in determining the disclosure and approval of this kind of Connected Transactions. Would the value of the property as shown in the latest available accounts or the agreed consideration being in line with the market be adequate for the purpose?

12. Do you agree with the proposal to amend Main Board Rules 14.66(8) and 14A.70(15) and GEM Rules equivalent to remove the requirement to disclose information about competing interests of directors of the issuer's subsidiaries and their close associates in transaction circulars?

Yes

No

Please give reasons for your views.

We agree with the proposal, as the cost of preparing the disclosure at such a detailed level outweighs the benefits obtained by shareholders.

As a related matter, a drafting error is found in Main Board Rule 14.66(8). The word "issuer" shall be changed to "listed issuer" as defined in chapter 14.

13. Do you agree with the proposal to amend the GEM Rules to include a new GEM Rule 17.49A to require trading suspension for issuers that fail to publish their financial results announcements as described in paragraph 153 of the Consultation Paper?

Yes

No

Please give reasons for your views.

We agree with the proposal, as it codifies the Exchange's current practice into the rules and also aligns the requirements under Main Board Rules and GEM Rules in this respect.

14. The Exchange invites your comments regarding whether the manner in which (i) the proposed Rule amendments consequential to the enactment of the New Ordinance as set out in Chapter IV (see paragraphs 116 to 137 of the Consultation Paper) and (ii) the proposed housekeeping Rule amendments set out in Chapter VI, have been drafted will give rise to any ambiguities or unintended consequences.

15. Do you have any other comments in respect of the matters discussed in the Consultation Paper? If so, please set out your additional comments.

N/A

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