Part B   Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at:
http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2018-Backdoor-and-Continuing-Listing/Consultation-Paper/cp201806.pdf

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

1.   Do you agree with the proposal to codify the assessment criteria under the principle based test in a Note to the proposed Rule 14.06B?

☑   Yes

☐   No

If your answer is "No", please give reasons for your views.

2.   Do you agree with the proposal to extend the current criterion "issue of restricted convertible securities" in the principle based test to include any change in control or de facto control of issuers?

☑   Yes

☐   No

If your answer is "No", please give reasons for your views.

3. (a) As regards the "series of arrangements" criterion, do you agree with the proposal to include transactions and arrangements that take place in reasonable proximity or are otherwise related and normally within a three-year period?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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(b) Do you agree with the proposal to amend the RTO Rule 14.06B to clarify that a series of acquisitions may include proposed and/or completed acquisitions?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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4. (a) Do you agree with the proposal to retain the bright line tests under Rules 14.06(6)(a) and (b) in a Note to the proposed Rule 14.06B?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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(b) Do you agree with the proposal to extend the aggregation period from 24 months to 36 months under the bright line test currently set out in Rule 14.06(6)(b)?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

5. (a) Do you agree with the proposed changes to Rule 14.92 (proposed Rule 14.06E) as described in paragraph 56 of the Consultation Paper?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

(b) Do you agree with the proposal to add a Note to proposed Rule 14.06E as described in paragraph 59 of the Consultation Paper?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

6. (a) Do you agree with the proposal to add a new Rule 14.06C for "extreme transactions" as described in paragraph 62 of the Consultation Paper?

    ☑ Yes

    ☐ No

    If your answer is "No", please give reasons for your views.

    (b) Do you agree with the disclosure requirements for circulars of extreme transactions set out in proposed Rules 14.53A(1) and 14.69?

    ☑ Yes

    ☐ No

    If your answer is "No", please give reasons for your views.

    (c) Do you agree with the due diligence requirements for extreme transactions under proposed Rule 14.53A(2)?

    ☑ Yes

    ☐ No

    If your answer is "No", please give reasons for your views.

7. (a) Do you agree with the proposal to amend Rule 14.54 and to add Rule 14.06C(2) as described in paragraph 69(i) of the Consultation Paper?

☑   Yes

☐   No

If your answer is "No", please give reasons for your views.

(b) Do you agree with the proposal to amend Rule 14.54 to impose additional requirements on RTOs proposed by Rule 13.24 issuers as described in paragraph 69(ii) of the Consultation Paper?

☑   Yes

☐   No

If your answer is "No", please give reasons for your views.

8. (a) Do you agree with the proposed Rule 14.57A to clarify the track record requirements for extreme transactions and RTOs that involve a series of transactions and/or arrangements?

☑   Yes

☐   No

If your answer is "No", please give reasons for your views.

(b) Do you agree with the proposed Rule 4.30 that sets out the requirements for preparing pro forma income statement of all the acquisition targets in the entire series of acquisitions (where applicable, would include any new business developed by the issuer that forms part of the series) for the track record period?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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9. Do you agree with the proposal to add a new Rule 14.06D to codify, with modification, the practice under Guidance Letter GL84-15 as described in paragraph 81 of the Consultation Paper?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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10. Do you agree with the proposal to require issuers to have a business with a sufficient level of operations <u>and</u> assets of sufficient value to support its operations to warrant the continued listing of the issuer's securities?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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11. (a) Do you agree with the proposal to add a Note to the proposed Rule 13.24(1) as described in paragraphs 107 to 109 of the Consultation Paper?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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(b) Do you agree with the proposal to remove the Note to Rule 13.24 as described in paragraph 112 of the Consultation Paper?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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12. Do you agree with the proposal to exclude an issuer's securities trading and/or investment activities (other than a Chapter 21 company) when considering the sufficiency of the issuer's operations and assets under Rule 13.24?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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13. Do you agree with the proposal to extend the definition of short-dated securities in the cash company Rules to cover investments that are easily convertible into cash ("short-term investments")?

☑   Yes

☐   No

If your answer is "No", please give reasons for your views.

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[empty answer box]
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14. Do you agree with the proposal that the exemption under Rule 14.83 shall only be confined to clients' assets relating to the issuer's securities brokerage business?

☑   Yes

☐   No

If your answer is "No", please give reasons for your views.

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[empty answer box]
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15. Do you agree with the proposal to confine the revenue exemption to purchases and sales of securities only if they are conducted by banking companies, insurance companies and securities houses within the listed issuers' group?

☑   Yes

☐   No

If your answer is "No", please give reasons for your views.

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16. Do you agree with the proposal to require issuers to disclose in their annual reports details of each securities investment that represents 5% or more of their total assets (as described in paragraph 134 of the Consultation Paper)?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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17. Do you agree with the proposal to codify the requirements set out in Listing Decision LD75-4 (as described in paragraph 137 of the Consultation Paper) for significant distribution in specie of unlisted assets into the Rules?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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18. Do you agree with the proposal to require disclosure on any subsequent change and the outcome of any financial performance guarantee of a target acquired by the issuer in a notifiable or connected transaction as set out in paragraph 140 of the Consultation Paper?

☐ Yes

☑ No

If your answer is "No", please give reasons for your views.

> *The proposal extends the requirement to report on financial performance guarantees from connected transactions to all notifiable transactions. The requirement to report where a financial performance guarantee is given by a connected person in respect of a connected transaction makes sense. The requirement to report will disincentivise the listed issuer from failing to enforce the guarantee against the connected person. Where the guarantor is an independent party, there is no incentive anyway not to enforce the guarantee. If the consequences of failure to enforce the guarantee are material, the listed issuer will need to disclose the failure in any event, either in its published accounts or, if the failure has sufficiently serious consequences, in an inside information announcement.*
>
> *The proposal also extends the disclosure requirement so that it applies whether or not the guaranteed financial performance has been met. We do not see that this is helpful disclosure to an investor. Meeting the performance is implied if the failure to perform has not been disclosed.*

19. (a) Do you agree with the proposal to require disclosure on the identity of the parties to a transaction in the announcements and circulars of notifiable transactions?

☐   Yes

☑   No

If your answer is "No", please give reasons for your views.

> *The proposal extends the requirement to disclose the identity and activities of connected persons and their ultimate beneficial owners to the identity and background of the parties to all notifiable transactions. The requirement to make these disclosures in the case of connected transactions is helpful because the information is presumptively relevant to an investor's consideration of the transaction. We do not see that these disclosures (at any rate insofar as they extend to ultimate beneficial owners) are helpful to investors where the counterparty is not a connected person. Counterparties may in any event not know who their ultimate beneficial shareholders are (for instance where the counterparty is a listed company) or may for perfectly legitimate reasons be reluctant to disclose the information. In these events, the proposal may result in it being impossible to proceed with transactions which would be beneficial to listed issuers and their shareholders.*

(b) Do you agree with the proposal to require the disclosure on the identities and activities of the parties to the transaction and of their ultimate beneficial owners in the announcements of connected transactions?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

20. Do you agree with the proposal that if any calculation of the percentage ratios produces an anomalous result or is inappropriate to the sphere of activities of the issuer, the Exchange (or the issuer) may apply an alternative size test that it considers appropriate to assess the materiality of a transaction under Chapter 14 or 14A?

☑ Yes

☐ No

If your answer is "No", please give reasons for your views.

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